Latin America *Slow expansion for Nafta* Page 4

Client-server networks *IBM's new lease of life for the mainframe* Page 14

Lancer Boss *How trouble in Germany undid a UK manufacturer* Page 9

Slovenia *A success story in former Yugoslavia* Survey, Page 29

FINANCIAL TIMES

Europe's Business Newspaper TUESDAY APRIL 12 1994 D8523A

Leading bankers draw up new code on derivatives

A new framework for the disclosure to regulators of credit risk in the derivatives markets is to be produced by a group of leading bankers. The framework, which should be finalised within two months, will require banks and securities houses to break down their exposure in the derivatives markets by counterparty and by type of instrument. The growth of derivatives products, such as futures and options, has caused concern that banks may not be fully aware of the risks involved. Page 19

Lancer Boss: The receiver of the last large UK-owned producer of lift trucks warned that efforts to sell the group as a going concern could be delayed if he cannot get control of the company's important German operations. Page 9; Receiver hopes for amicable German link, Page 9

Algerian prime minister replaced: Algerian president Liamine Zeroual, seeking to resolve a feud with Islamic militants, replaced his hardline prime minister with a moderate. Page 18

Argentina's Peronists win fifth poll

Argentina's President Carlos Menem (left) appeared to have secured his ambition to run for a second term in 1995 after the Peronist party won its fifth consecutive electoral victory, in spite of a slip in its support. The Peronists took 38 per cent of the votes in a poll to elect an assembly that will rewrite the country's constitution, which bans presidents from succeeding themselves. Page 4

Uruguay Round signing: The Uruguay Round trade agreement will protect the least developed countries from the "law of the jungle", said Gatt director-general Peter Sutherland ahead of its formal signing this week. Page 18

Ukrainian vote may delay reform: Ukrainian elections have produced a divided parliament – a result likely to further delay reform of the country's plunging economy and of its fractured politics. Page 2

Japanese coalition meets: Leaders of Japan's divided seven-party coalition plan to meet today in another attempt to resolve the deadlock over a successor to Morihiro Hosokawa as prime minister. Page 6; Japanese factions target LDP, Page 6; Editorial Comment, Page 17

Accor, French travel group, and Forte, UK hotels group, are vying for control of the Meridien Hotels chain, owned by Air France, the loss-making state-owned airline. Page 19

US to sell fighter jets to Israel: The Clinton administration notified Congress that it plans to sell 25 advanced McDonnell Douglas F-15I fighter jets to Israel for $2.4 bn, five more jets than announced by Israel in January.

Attack by Greek guerrilla group: Greece's left-wing guerrilla group November 17 hit US and Dutch insurance firms in Athens in separate attacks with anti-tank rockets, but failed to hit British aircraft carrier Ark Royal.

Congress faces hectic schedule: The US Congress returned to Washington from a two-week recess, with healthcare, crime and welfare reform likely to dominate debate. Page 4

Commerzbank announced an increase of "around a quarter" in 1993 operating profits, and released plans for a DM400m ($233m) capital increase and the issue of up to DM2bn of convertible bonds and profit-sharing certificates. Page 17

Saddam releases Romanians: Iraqi leader Saddam Hussein pardoned four Romanians convicted of illegally entering Iraq in 1992 in response to a plea from Romania's president Ion Iliescu.

Hong Kong insider dealing hearing: The Hong Kong government's insider dealing tribunal plans to hold its first hearing at the end of April. The hearing will cover alleged insider dealing in the trading of shares in a local property firm.

Pope cancels Lebanon visit: Pope John Paul postponed indefinitely his visit to Lebanon in May, his first trip to the Middle East, because of a surge of violence, the Vatican said.

China executes fraudster: Chinese businessman Shen Taifu, 39, was executed for his role in a pyramid-style company that took one billion yuan ($114m) from small investors.

■ STOCK MARKET INDICES		
FT-SE 100:	3,149.4	(+28.6)
Yield	3.86	
FT-SE Eurotrack 100	1,479.07	(+17.99)
FT-SE-A All-Share	1,587.25	(+0.8%)
Nikkei	19,898.88	(-36.91)
New York: lunchtime		
Dow Jones Ind Ave	3,693.89	(+19.63)
S&P Composite	449.49	(+2.39)
■ US LUNCHTIME RATES		
Federal Funds:	3½%	
3-mo Treas Bills: Yld	3.63%	
Long Bond	87 12/32	
Yield	7.273%	
■ LONDON MONEY		
3-mo interbank	5 5/16%	(same)
Liffe long gilt future:	Jun 108¼	(Jun 107 5/32)
■ NORTH SEA OIL (Argus)		
Brent 15-day (May)	$14.70	(14.32)
■ Gold		
New York Comex (Jun)	$379.9	(385.3)
London	$380.75	(385.2)

■ STERLING		
New York lunchtime:		
$	1.469	
London:		
$	1.4737	(1.4745)
DM	2.517	(2.5265)
FFr	8.6212	(8.6554)
SFr	2.1202	(2.1293)
Y	152.27	(155.132)
£ Index	79.7	(80.0)
■ DOLLAR		
New York lunchtime:		
DM	1.7135	
FFr	5.87175	
SFr	1.4435	
Y	103.35	
London:		
DM	1.708	(1.7134)
FFr	5.85	(5.87)
SFr	1.4387	(1.4441)
Y	103.325	(105.21)
$ Index	66.3	(66.6)
Tokyo close Y 104.48		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk8.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.60	Sweden	SKr16		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£60.00		
France	FFr9.00	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L13000		
						UAE	Dh12.00		

Moscow's foreign minister criticises UN air strikes as Serbs ease shelling of Gorazde

Nato raids strain links with Russia

By Edward Mortimer and Laura Silber in Sarajevo and David White in Madrid

The Serbs continued sporadic firing on the enclave of Gorazde yesterday after a second Nato air strike that brought fresh strains to relations between Russia and the west.

UN officials said the bombardment of Gorazde eased, but not did not stop entirely. The attackers' fire continued for at least two hours after the strike, which destroyed a Serbian tank. One shell fell within yards of the local headquarters of the United Nations High Commission for Refugees.

President Bill Clinton called the latest air strikes "entirely appropriate", while his envoy to the UN, Ms Madeleine Albright, said air power might now be used to protect other besieged towns in Bosnia.

Mr Clinton called on the Serbs to stop shelling, withdraw from their positions in the outskirts of Gorazde and return to the negotiating table. He insisted the air raids had followed decisions by the Security Council.

He pledged to keep in touch with the Russian government, which has complained bitterly about being excluded from UN policy in Bosnia. He told reporters: "They have a critical role to play if we are going to get those peace talks going again, and I hope we can."

However, Mr Andrei Kozyrev, the Russian foreign minister, said in Madrid that it had been a "big mistake" to launch air attacks on the Serbs without consulting Moscow. He called the decision to launch raids a hasty one that had failed to take account of all the consequences.

Mr Radovan Karadzic, the Bosnian Serb leader, yesterday refused to meet Mr Charles Redman, the US negotiator, in Sarajevo. The Serbs also blocked traffic in and out of the city and virtually broke off relations with the UN.

They said that henceforth Serbs would deal with the UN only through Mr Vitaly Churkin, the Russian special envoy, who yesterday travelled from Belgrade to Pale, the Bosnian Serb stronghold above Sarajevo, for talks to ease the crisis.

In yesterday's action, two US F18s dropped three bombs and destroyed one Bosnian Serb tank, which had fired directly at the town ignoring warning passes by the aircraft and flares.

Hinting at possible direct Serbian intervention in the war in Bosnia, a senior Yugoslav army

Continued on Page 18
Bosnian Serbs choose hard option, Page 3
Editorial Comment, Page 17

Zhirinovsky calls for retaliation after bombing of Serbs

Russian nationalist leader Vladimir Zhirinovsky yesterday called on Russia to bomb Nato bases in Italy in response to the air strikes on Gorazde. "They bomb one town, we bomb another town," he said in Strasbourg, immediately before railing against the West in a speech to the 32-nation Council of Europe, which promotes human rights and democracy.

On his way to the meeting, Mr Zhirinovsky, the leader of Russia's Liberal Democratic party, hurled stones and spat at a group of Jewish students protesting against anti-Semitism. Mr Zhirinovsky said he would "break their heads". Report, Page 3

Oil groups to develop fields in Russian Arctic

By Robert Corzine in London and Karen Fossli in Oslo

Four western companies yesterday announced an ambitious plan to develop oil reserves in the Russian Arctic which they "conservatively" estimate at 2bn barrels. They said the project, one of the largest ever in Russia, could last for 50 years and cost tens of billions of dollars.

Texaco, Exxon and Amoco of the US and Norway's Norsk Hydro said they planned to assess and possibly develop as many as 11 proven oil fields in 2,847 square miles of the remote Timan Pechora basin, which lies wholly within the Arctic Circle, some 1,100 miles north-east of Moscow.

Unlike many western projects in Russia and other oil regions of the former Soviet Union, the Timan Pechora plans envisage the construction of a dedicated export terminal. This would prevent the bottlenecks which have beset other projects.

Texaco, which has been studying the area since 1990, said its "conservative" estimates put recoverable reserves in the area covered by the consortium's contract at 2bn barrels. Russian estimates place reserves at 5bn barrels, but much of the area remains unexplored.

Mr Peter Bijur, Texaco's senior vice-president, said the project was "an enormous opportunity . . . and one of the most challenging and attractive hydrocarbon development prospects in the world today."

He would not be drawn on the eventual production rates from the area, but predicted that initial output of 120,000 barrels a day could be achieved by 2000. That is equivalent to production of some of the larger North Sea fields.

Some consultants believe exports from this and a Conoco project being considered in the Timan Pechora basin could reach 400,000-600,000 b/d in the first decade of the next century.

The Timan Pechora company, in which Texaco and Exxon each holds 30 per cent and Amoco and Norsk Hydro 20 per cent each, will spend $100m on a three-year assessment phase. Mr Bijur said the consortium's partners were chosen in part because of their Arctic experience.

The consortium hopes to gain final approval of a production-sharing agreement from the Russian government by this autumn so that more extensive seismic and appraisal activities could begin in the winter. Mr Bijur said the consortium was also seeking the approval of the Russian parliament because of the political controversy in Russia over western oil deals.

Ice packs form a useful buffer, Page 19

Reuter

Israel to miss troop pull-out deadline

An Israeli paratrooper confronts an elderly Palestinian during yesterday's attempted march to the Ibrahimi mosque, scene of the Hebron massacre in February when 29 worshippers were killed by a Jewish settler. About 300 Palestinians took part in the demonstration which came as Israel said it would not be able to meet tomorrow's deadline for completion of its military withdrawal from the Gaza Strip and West Bank town of Jericho. It blamed the PLO for delaying the peace process and the implementation of Palestinian self-rule. Report, Page 18

Air France wins staff support for rescue package

by John Ridding in Paris

Air France workers voted overwhelmingly yesterday in favour of a rescue package, securing an important victory for Mr Christian Blanc, the chairman, in his attempt to reform the state-owned carrier.

Air France said a referendum of the company's 40,000 staff produced 81 per cent in favour of the package. More than 80 per cent of employees voted.

Acceptance of the plan will clear the way for an injection of FFr20bn ($3.43bn) state capital over the next three years. The capital increase is necessary to reduce debts of about FFr38bn at the airline and to curb losses estimated at FFr7.5bn last year. But the plan requires approval from the European Commission and is likely to face resistance from Air France's competitors, including British Airways.

Mr Blanc, who took over as chairman last October, had threatened to resign if he did not receive a "clear and massive" response in favour of his plan to cut 5,000 jobs, freeze wages and increase productivity by 30 per cent. He appealed directly to staff following the refusal of eight of the airline's 14 unions to sign his recovery plan.

The vote in favour of the restructuring plan will come as a relief to the French government, which was forced into a humiliating climbdown last October when it withdrew a previous restructuring plan. The scrapping of the plan, in the face of a wave of strikes, forced the resignation of Mr Bernard Attali, the previous chairman, and set a precedent for government concessions to opponents of reform.

Mr Bernard Bosson, the transport minister, described the plan as an endorsement of the government's method of consultation. He saw no reason why Brussels should oppose the plan, adding that the proposed state aid represented only half the company's debts. The result represents a blow to unions at the airline which had rejected Mr Blanc's proposals.

"We continue to oppose the plan" said an official at the communist Confédération Générale du Travail, the second largest union at Air France. He said the

Continued on Page 18

Portugal seeks to draw small investor into privatisations

By Peter Wise in Lisbon

Portugal announced measures to promote "popular capitalism" and draw small investors into the country's privatisation programme yesterday.

Mr Eduardo Catroga, finance minister, said the government planned to sell shares in state-owned companies to small savers more cheaply than to companies or institutional investors. The move is aimed at bringing greater liquidity to the Portuguese bourse.

In a related move, designed to enhance the competitiveness of its banking system, Portugal is to cut compulsory cash reserves for commercial banks from 17 per cent to below 3 per cent of selected liabilities.

The move, announced by the central bank, applies to reserves levied on the banks' total deposits and treasury bills, excluding their offshore deposits, and is likely to take effect before the end of this month.

The estimated Es2,000bn ($11.5bn) of banking liquidity that will be released will be absorbed by an issue of special central bank bonds, in the hope of preventing a sharp fall in short-term interest rates.

A Lisbon banker said: "The central bank is being careful to ensure that there will be little impact either on liquidity or interest rates, otherwise the changes would blow the whole interest rate system out of the water."

Mr Catroga said that in privatising companies considered strategic to the economy, the state would maintain a majority of the capital or a "golden share", giving it veto rights over company decisions.

Leading privatisations planned for 1994 and 1995 include the sale of minority stakes in Cimpor, a cement producer, Electricidade de Portugal, a power producer and distributor, and Portugal Telecom, a telecommunications operator.

"In the case of Cimpor, telecommunications and EDP it is out of the question the state could lose control", Mr Catroga said.

Portugal's centre-right government has said it plans to sell up to 30 per cent of BFE, the trade bank.

"The state must still retain a strong position in the financial system, but this does not mean that we cannot disperse the capital of one or two companies such as Banco de Fomento, BNU or Fidelidade", Mr Catroga said.

CONTENTS

 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Ukrainian vote brings reform no closer

Elections have failed to resolve the crisis, write **John Lloyd and Jill Barshay**

Ukrainian elections have produced a parliament torn between left-wing pro-Russian forces, a smaller group of nationalist parties and a "swamp" of independent candidates – a result forecast to further delay reform of the country's plunging economy and of its fractured politics.

Communists, socialists and their Peasant party allies seem likely to be the strongest party bloc, last night claiming some 110 of the 337 seats where candidates have been announced after a second round of voting. Of the remaining seats in the 450-seat parliament, some have still to be announced while others failed to produce the qualifying number of votes and will require a third round of voting.

The centrist-reformist parties did very poorly, a bad sign for an economy in which reforms have been constantly delayed by lack of agreement in parliament. The Interregional Reform Bloc of Mr Leonid Kuchma, the former prime minister who tried to make the case for economic transformation, has only four seats so far.

To further deepen the crisis, voters in the Crimean peninsula – where the dominant ethnic Russians are calling for semi-independence from Ukraine – returned a local assembly dominated by pro-Russian and Communist deputies. The "Russia Bloc" took 54 of the 94 declared seats, with Communists taking another 15, both groups advocating much closer ties with Russia.

Mr Leonid Hrach, the Crimean Communist leader, said that "the Ukrainian people have called for the idea of communism", adding that the solution to Ukraine's problems was only possible by integrating its economy with other members of the Commonwealth of Independent States.

Mr Yuri Yekhanourov, the reformist-minded deputy economic minister, said yesterday "the new parliament will be unable to take any real decisions, and there will also be a battle between it and the local authorities. The results mean we will lose a further two years, and the economy will continue its decline".

The result, however, belied the predictions – some would say hopes – of President Leonid Kravchuk that the turnout would generally fail to reach the 50 per cent figure required to make each deputy's election legal. The overall average turnout was around 66 per cent, though the figure was lower in the capital, Kiev, with a number of constituencies reporting turnout in the 40 per cent band.

The only other bright spot was the return to parliament of several reform-minded figures. Besides Mr Kuchma, prominent deputies in the new parliament include Mr Victor Penzenik and Mr Volodymyr Lanovoi, both former deputy premiers and Mr Roman Shpek, the outgoing economics minister.

At the same time, those elected to parliament cannot, under present law, also serve in the government, reducing the field of ministerial talent in a country where able reformers are few.

The new parliament inherits a constitutional tangle which appears certain to set it at odds. Mr Kravchuk has said he will refuse to stand in presidential elections scheduled for June 26 unless a law cancelling the appointment of presidential representatives to the regions and giving full authority to the regional authorities, is itself cancelled. At the same time, the basic question of division of powers between the presidency and the parliament is unclear, while a new constitution is not even in preparation.

The nationalists, whose main force remains the Rukh grouping which draws its principal support from western Ukraine, yesterday claimed around 80 members and supporters in the parliament, though Rukh itself had only 21 members in the preliminary figures released by Interfax news agency last night. Mr Vyacheslav Chornovil, Rukh's leader, said yesterday that "economic collapse is giving an opening to extremists".

The numerical "victors" were, on last night's figures, the 167 deputies who claimed no party label – though some are close to the formal parties. The struggle for their allegiance will dominate the politics of the new parliament. Many are enterprise directors and officials likely to tend towards the pro-integration Communists in the hope that closer links with Russian and the other CIS economies boost trade and give them access to lower-priced energy.

The extreme nationalists, who in their furthest right manifestations openly espouse fascist and militaristic postures, gained a toehold in the new parliament. The Ukrainian Nationalist Congress won four seats and the UNA/UNSO bloc three. Mr Chornovil, who backs an unsteady strategy of moderating the nationalist message of his party, dissociated himself from them yesterday, saying they constituted one of the extremes which would neuter the parliament.

The first test will come on Thursday, at a meeting in Moscow of the CIS heads of state at which a new economic union will be discussed and Ukraine will be pressed to define its hitherto ambiguous stand on closer ties.

Nationalists who laid siege to parliament last autumn were claiming about 80 members and supporters last night Reuter

Two states exchange broadsides in navy row

By Jill Barshay in Kiev and Leyla Boulton in Moscow

Russia and Ukraine yesterday traded accusations over the storming of a Russian-controlled naval base in Odessa. Moscow alleged Ukraine had used armed force and wounded servicemen in response to Ukraine's earlier accusations that Russia had stolen naval equipment at the weekend.

Ukrainian military authorities denied using force in the incident, which took place on Sunday night. They said that the troops had acted to detain three officers who had ordered Russian sailors to defy Ukrainian orders and sail a research ship out of Odessa.

According to the Russian reports, 120 Ukrainian soldiers stormed a Russian naval base in Odessa on Sunday night, opened fire and injured several servicemen and their families. Reports from Moscow also said that a second Russian-controlled base near Odessa was blockaded by 40 Ukrainian soldiers yesterday.

Ukraine's Defence Ministry called the Russian allegations over the use of force "a lie" designed to provoke "an armed conflict between Black Sea fleet servicemen, Odessa port officials, border guards and Ukraine's navy". Ukraine said it had only detained Russian officers who defied Ukrainian orders on Friday night, when the two navies narrowly avoided an armed clash near Odessa. Ukraine also strenuously denied surrounding the second Russian base.

The Russian government protested to Ukraine demanding the officers' immediate release. Prime Minister Victor Chernomyrdin spoke to Ukraine's President Leonid Kravchuk by telephone, but details of their discussion were not released.

The heated confrontation was the latest and most serious in two years of disputes when the fleet was put under Russian-Ukrainian joint command following the break-up of the Soviet Union. The tensions have arisen over property rights and allegiance between the Ukrainian military and the largely Russian-controlled and financed fleet.

The conflict began on Friday night when a Russian ship, the Cheleken, loaded $10m worth of naval navigational equipment at Odessa and sailed away toward its headquarters in Sevastopol, Crimea, despite objections by Ukrainian naval officials.

The Russian ship, part of the 300-vessel Black Sea fleet awkwardly shared between Russia and Ukraine, defied Ukrainian orders to remain in the port of Odessa. After Ukrainian border guards tried to block the ship, Russian sailors took a senior Ukrainian military officer hostage and cut tow ropes in the middle of the night to take to sea, a Ukrainian Defence Ministry spokesman said.

Ukraine is calling the seizure of equipment "an act of piracy" and is condemning the Russian officers for creating "a precedent of a sharp escalation of tensions which might have led to grave consequences". Russia says Ukraine's failure to pay its debts for the equipment, which needed maintenance, justified the move.

On Sunday night, Ukrainian special forces reportedly attacked an Odessa reserve naval yard of the Black Sea fleet and took control of its armoury. During the attack, bystanders were injured by flying glass and some Russian soldiers may have been beaten. Tensions had eased by yesterday afternoon although the rhetoric was stepped up.

Swedes enshrine right to know in their EU deal

By Hugh Carnegy in Stockholm

Amid all the wrangles over voting rights, fishing rights and farm subsidies in the European Union's enlargement negotiations last month, a declaration by Sweden attached to its accession accord with Brussels passed almost unnoticed.

It asserted Sweden's right to continue to exercise a deeply entrenched policy of open government and freedom of information.

Such is the importance attached in Sweden to the principle of open government that Stockholm felt it necessary to include the declaration in its EU accession documents to reassure voters worried that joining the EU might erode citizens' right of access to state-held information.

The most celebrated example is the right all Swedes have to read the official correspondence of the prime minister – without delay.

"Actually, the way it works it is possible sometimes for a reporter to see some non-urgent letters before the minister," says Mr Göran Schäder, a senior official at the justice ministry.

Public officials are explicitly given the right to leak information as part of their rights to the freedom of expression. Early this year, most of the details of the 1994-95 budget were published in the national newspapers several days before Mrs Anne Wibble, the finance minister, presented them to parliament.

The country's first freedom of the press legislation was enacted in 1766. The current freedom of the press law which enshrines the principle of open government was passed in 1949 and is part of the written constitution.

All ministries and local authorities are obliged to keep a register of completed documents which citizens can freely peruse and have access to, like a public library.

There are, however, seven areas where the state may withhold information, ranging from state security, through currency policy and individual privacy to the protection of animals and plants, with restrictions up to 20 years.

Swedish officials and politicians of all parties boast that the policy of open government has ensured a virtual lack of public corruption. "It makes everyone aware that they are operating in the public eye," says Mr Schäder. "It encourages efficiency and the fair treatment of every case."

Some Swedes feel access is too open, especially information about private individuals that can be obtained by fellow citizens. Details of individual income taxes are publicly available, for example. There is also a campaign to make the possession of child pornography a crime.

In case European leaders may fret that their confidential musings in EU council meetings might suddenly pop up in publicly-available Swedish briefing papers, Mr Schäder points out that any threat of damage to foreign relations is a case for restricting information under the secrecy law.

"We have conducted foreign relations for centuries without this being a problem. I don't think anyone should feel that you can't tell Sweden something for fear of it suddenly appearing on the front page of the newspapers."

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EUROPEAN NEWS DIGEST

US urges Bonn to halt reactor

The US has asked Germany to reconsider plans to build a nuclear research reactor using bomb-grade highly enriched uranium, a step which it says would set back 10 years of efforts to prevent nuclear proliferation. The State Department has voiced its concern to the German government about the FRM-II neutron source reactor, to be built near Munich in Bavaria, for which licensing hearings are expected to begin next month. The US has also warned Germany that it will not supply HEU fuel for the reactor.

For the past 20 years the US has tried to persuade other countries to convert their research reactors, some of which, unlike normal power generation reactors, can only be run effectively on HEU, to switch to lower enrichment uranium. A similar advanced neutron source reactor planned in the US is now expected to use LEU after feasibility studies were carried out by the US government, but German officials said LEU would add considerably to the cost of the FRM-II plant.

Some German reactor operators have suggested Russia could be an alternative supplier of HEU, but German officials said such a radical step was not yet under consideration. But the willingness of European research reactors to co-operate with US non-proliferation goals has been stretched by the US Department of Energy's failure so far to fulfil its undertaking to take their spent fuel for disposal. An emergency solution to the spent fuel issue was expected to be completed by the end of March, but has been put off again until Friday. *George Graham, Washington*

Brussels optimism on trade

European Commission officials are hopeful that informal discussions can smooth over some of the disputes which have come to the fore during negotiations on the Uruguay Round of global trade reform and EU plans to develop European information highways. The optimism follows talks between European and US business leaders and officials in New York last week. A Brussels spokeswoman said the largest obstacles concerned standardisation, intellectual property rights and data protection, where the lack of harmonisation has led companies on both sides to complain of discrimination. EU officials are due to hold another round of discussions with US officials and possibly Japanese representatives again in the autumn. *Gillian Tett, Brussels*

Balladur's following fades

The French centre-right government of Mr Edouard Balladur suffered a 10 per cent decline in its popularity and support last month, according to a poll by the Louis Harris market research consultancy. At the end of March the government commanded the approval of just 41 per cent of the French public against 51 per cent a month earlier, according to the poll commissioned by Profession Politique magazine. The proportion of the electorate claiming to be dissatisfied with the government rose by 10 points to 54 per cent over the same period. The fall in support for Mr Balladur's policies follows his abandonment of plans to cut the minimum wage for young workers after violent protests from students and youths. It also reflects concern about the continuing pressures on the French economy. *Alice Rawsthorn, Paris*

Munich bans Kurdish rally

Munich's mayor yesterday banned a pro-Kurdish demonstration planned for today. The ban follows a rally last month in Germany which ended in battles between police and Kurds and protesters' self-immolation. Mayor Christian Ude said city authorities had "reliable information" that Kurdish militants seeking an independent homeland in Turkey planned to use the rally to stage acts of violence. The charges of violence were denied by Kurdish and German organisers. *Reuter, Munich*

Polish president's plea to west

Poland yesterday urged the US to play a more active role in central Europe. Speaking during a visit to Warsaw by Mr Strobe Talbott, US deputy Secretary of State, President Lech Walesa complained that the European Union and Nato were not expanding eastwards. "No great structural changes have been made and life cannot stand a vacuum," he said, implying that only Russia stood to gain from the west's cautious stance. Mr Talbott met Polish leaders to discuss the country's membership in the Partnership for Peace security programme. *Christopher Bobinski, Warsaw*

Gibraltar financial services

Gibraltar's financial services will adhere to UK standards following an agreement between the two governments. Gibraltar's Financial Services Commission, the industry regulator, will be appointed by and accountable to the British government, thereby enabling the UK to meet its EU responsibilities. It will operate independently of both governments.

In an oblique reference to Spain, Mr Kenneth Clarke, the UK chancellor, promised Mr Joe Bossano, Gibraltar's chief minister, to "seek vigorously to ensure that other member states are equally clear" that the Gibraltar commission is a competent authority for EU purposes. Spain has expressed doubts about allowing a separate licensing authority in Gibraltar, which is part of the EU as a European territory for whose external relations the UK is responsible. *Joe Garcia, Gibraltar*

Ark Royal 'under fire'

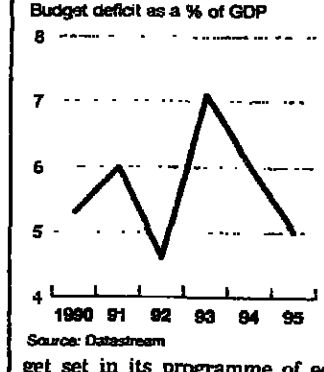
A left-wing Greek terrorist organisation yesterday claimed it had fired a rocket at the British aircraft carrier Ark Royal while it was docked in Piraeus harbour for maintenance work. In a call to a radio station, the group also claimed responsibility for attacks on Sunday night on two foreign insurance companies in Athens. A search of the vessel revealed no evidence to back the terrorist group's claim. However, Greek police later found two 3.5in rockets and two plastic pipes, apparently intended as launchers, in a timber warehouse near where the ship was docked. *Kerin Hope, Athens*

ECONOMIC WATCH

Portugal's budget deficit plans

Portugal

Budget deficit as a % of GDP



Source: Datastream

Portugal's 1995 budget is being drawn up with a planned primary deficit of about 5 per cent of gross domestic product, according to Mr Eduardo Catroga, the finance minister. This would represent a fall from a planned primary deficit of 6 per cent this year and a revised deficit of 7.1 per cent in 1992, he said. "The fundamental guideline of the 1995 budget is a continuation of the objective of budget consolidation," he said. He reiterated the centre-right government's determination to reach the budget deficit target set in its programme of economic convergence with the European Union.

■ Norway's consumer prices rose 0.5 per cent in March after a 0.4 per cent gain in February. The annual rate was 1 per cent. Wholesale prices rose 0.2 per cent in March after an 0.4 per cent rise in February. The annual rate was 0.7 per cent.

■ Russian weekly inflation rose to 2.2 per cent in the week from March 29 to April 5 from 1.8 per cent in the previous week, the government said. In the latest week, prices for consumer services rose 11.9 per cent while food prices rose 1.4 per cent.

Bosnian Serbs choose the hard option

By Edward Mortimer and Laura Silber

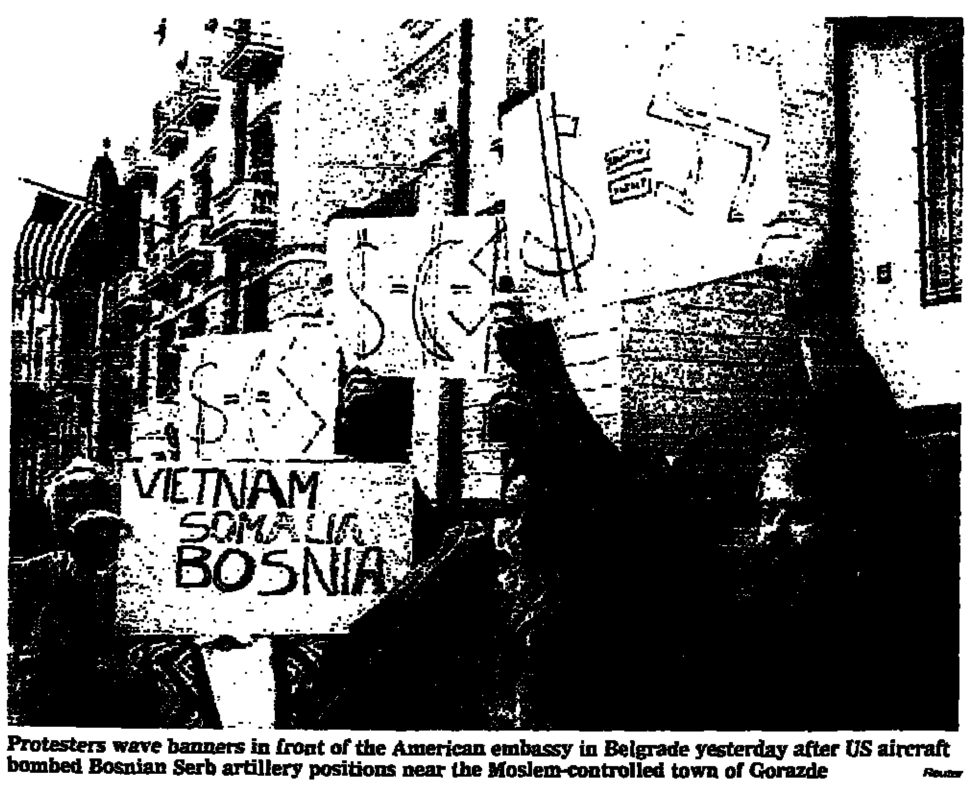
By stepping up their attacks on Gorazde in defiance of Nato air strikes, the Bosnian Serbs have chosen a course of confrontation with the world.

Bosnian Serb forces yesterday sealed off Sarajevo from the outside world in an effort to show that they still controlled the destiny of the Bosnian capital.

Meanwhile, Serb leaders hailed the Nato intervention as yet another example of western betrayal and conspiracies against the Serbs.

If he allows them to stick to this collision course, their protector, President Slobodan Milosevic of Serbia, is in danger of finding himself backed into a corner.

On past performance, it is in just such a situation that he is liable to take the most unpredictable and destructive decisions.



Protesters wave banners in front of the American embassy in Belgrade yesterday after US aircraft bombed Bosnian Serb artillery positions near the Moslem-controlled town of Gorazde Reuter

His calculation may be based on the belief that he can back his own putative sponsor President Boris Yeltsin of Russia into a corner, obliging him to take Serbia's side against the western coalition, which since the end of the cold war has dominated the UN.

In previous crises in former Yugoslavia, such calculations have proved false, leaving Serb leaders disappointed and Mr Yeltsin a target of vitriolic abuse from Serbian political leaders and media.

This time Mr Milosevic appears convinced that he can get Russia on his side. In a bid to drive a wedge between Russia and the west, Serb leaders yesterday severed all relations with the UN, naming Mr Vitaly Churkin, Russia's special peace envoy, as the only channel of communication.

Even if his gamble fails, Mr Milosevic has the upper hand over his Bosnian Serb proteges, in that he has no particular stake in Gorazde.

Serbs appear to believe that he has fulfilled his pledge to stop the war at Serbia's frontiers.

At the same time, he has succeeded in carving out a Greater Serbia, in fact if not in name, through the creation of two sister republics on Bosnian and Croatian territory.

Whether one of these republics includes the pocket of Gorazde is of little or no consequence to most Serbs in Serbia proper.

They are tired of sanctions, imposed because of Belgrade's role in the violent partition of Bosnia, and indifferent to the map of the new post-war Bosnia. Mr Milosevic knows this and he wants to push for a deal in order to get sanctions lifted. By contrast, the self-styled "Serb Republic" covering some 70 per cent of Bosnian territory, has been carved out over two years of war.

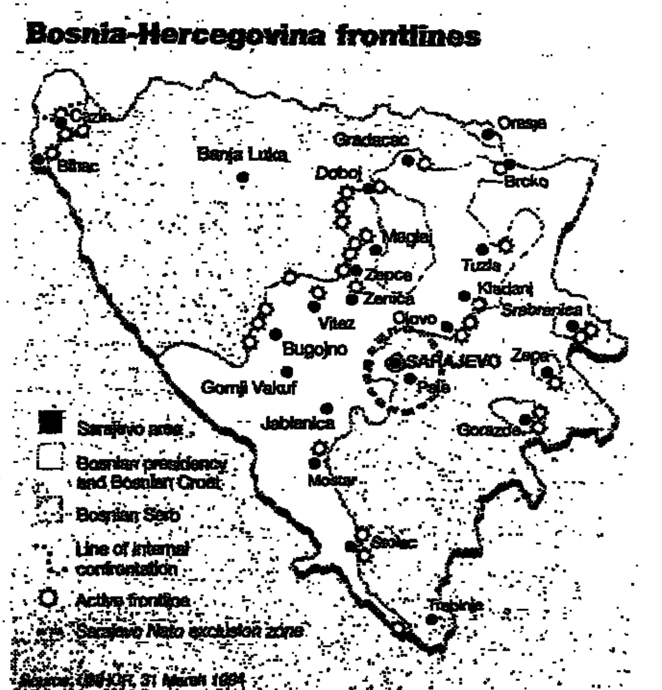
General Ratko Mladic, Bosnian Serb commander, has repeatedly rejected any proposal to hand back land, for which Serb fighters have fallen. The issue for the Serbs in Gorazde is obviously not whether they would be willing to hand it back, since despite unremitting attacks, it is still under Bosnian government control.

But its continued existence as a Moslem enclave prevents the Serbs from consolidating their control over the whole of eastern Bosnia. Further, Bosnian government attacks from Gorazde have disrupted communications between Serb-held zones in the west and south, where a relatively narrow corridor separates the enclave from Sarajevo.

Bosnian Serb leaders cannot be divided into hawks and doves. They all agree that the war was an inevitable "defence against the Moslem threat". But the air strike has given fresh impetus to those leaders who have always argued that the UN was anti-Serb and may thus make it more difficult for Mr Radovan Karadzic, Bosnian Serb leader, to compromise with western demands for territorial concessions regardless of instructions from Mr Milosevic.

Mrs Biljana Plavsic, a Bosnian Serb leader, yesterday went so far as to proclaim the UN as the new aggressor against the Serb people.

Bosnia-Hercegovina frontlines



Russia says it should have been consulted over attack on Bosnian Serbs

Rift grows over UN action

By Bruce Clark

At the heart of one of the biggest diplomatic rifts between Russia and the west since the end of the cold war lies the question of how much power Mr Boutros Boutros Ghali, the UN secretary-general, has to act on his own.

Can he order military action without formally consulting the permanent members of the UN Security Council?

Western governments insist that legal and diplomatic procedures have been followed to the letter during the run-up to Nato's air strikes against the Bosnian Serbs.

The decision to recommend air attacks was taken by the UN commander in Bosnia, General Sir Michael Rose, who says he issued repeated warnings to the Serbs before making a move.

He passed on his proposal to Mr Yasushi Akashi, the Japanese diplomat who has been given wide-ranging authority as the secretary-general's representative in Bosnia.

Mr Akashi, after a telephone conversation with his boss in New York, then made a formal request for support to Nato, which has been mandated by Mr Boutros Ghali to provide air support for the international peacekeeping effort in Bosnia.

President Yeltsin maintains that Russia, as a permanent member of the Security Council, ought to have been consulted. If Moscow had been asked, it is very hard to imagine that it would have said Yes, even privately, because of the explosive political consequences at home.

Western governments have cited Security Council Resolution 836, which states: "Member states, acting nationally or through regional organisations, may take under the authority of the Security Council and subject to close co-ordination with the Secretary-General and Unprofor (the UN protection force in former Yugoslavia) all necessary measures, including the use of air power, in and around the safe areas of Bosnia-Hercegovina, to support Unprofor in the performance of its mandate..."

The phrase "authority of the Security Council" is open to interpretation. The resolution does not suggest Mr Boutros Ghali requires a fresh, explicit mandate to order air strikes; but Russia can still argue that the secretary-general has a standing obligation to consult with and take into account the views of the Council's permanent members.

Political pressure to relieve Gorazde mounted because of the plight of civilians there, and because the Serbs seemed to be making a mockery of the town's designation by the UN as a "safe area" for Moslems.

But the legal rationale for Gen Rose's request was not

Boutros Boutros Ghali: rejected claim that UN was siding with Moslems

concern for the enclave's 65,000 residents but the UN's right to protect its 11 military observers in and around the town.

That pretext is watertight, diplomats say, because there is little doubt that UN personnel in Gorazde were in physical danger as a result of the bombardment.

No suggestion has been made that the UN officers were targeted by the Serb attackers, but the level of artillery and small arms fire in central Gorazde on Sunday afternoon was so intense that nobody in the area was safe.

Yet there is an awkward discrepancy between the air raids' real political purpose – to end the siege of Gorazde and force the Serbs into a more reasonable stance at the negotiating table – and the legal grounds on which they were made.

As Russia will now argue, the UN's *de facto* role in Bosnia has been changed – from that of peace-broker and aid distributor to peace-enforcer, if not warring party – without any formal decision to make that momentous change.

Part of Russia's grievance lies in the fact that western governments have two separate inputs into Bosnian policy. The US, Britain and France are *makers* of UN policy as permanent members of the Security Council, and *executors* of that policy as participants of Nato – which has been invited by the secretary-general to play the role of "regional organisation", as referred to in Resolution 836.

For the western governments, there was was no danger of Mr Boutros Ghali acting "behind their backs" – because it was their firepower on which he was relying.

In practice there is no other organisation besides Nato with the military clout, and above all the co-ordinated structure, to police the skies of Bosnia. But the role of the Atlantic alliance leaves Russia out in the cold, and acts as a red rag to nationalist bulls such as Mr Vladimir Zhirinovsky.

Zhirinovsky fans the flames

By Our Foreign Staff

Of the Russian reactions to the Nato attacks, none was more extreme, nor more predictable, than that of the nationalist leader Mr Vladimir Zhirinovsky, who yesterday called on Russia to bomb Nato bases in Italy in response to the air strikes on Gorazde.

"They bomb one town, we bomb another town," he said, immediately ahead of a debate on the situation in the former Yugoslavia at the 32-nation Council of Europe, which promotes human rights and democracy.

Mr Zhirinovsky, the leader of the Liberal Democratic Party of Russia, said he favoured solving the issue of Yugoslavia by peaceful means, but insisted that Nato had initiated the aggression.

"It's against Russia, it's for more interests of Germany in the Balkans, of Nato in the Balkans, it's against the Orthodox, against the Slav people."

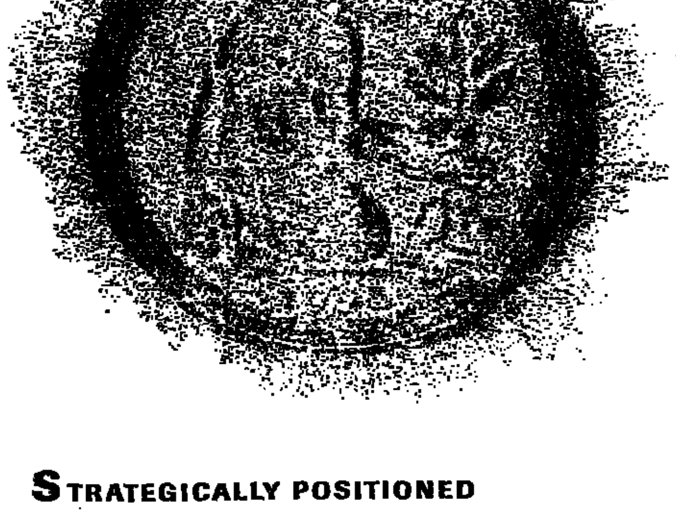
Well known for his vitriolic attacks and statements, Mr Zhirinovsky reinforced his image as an aggressor with an outburst on a group of protesters on his way to the meeting. Spitting and hurling stones at a group of Jewish students protesting against anti-Semitism, Mr Zhirovsky said he would "break their heads."

The man who has threatened to bomb the Kurile Islands and dump nuclear waste on the Baltics suggested to the protesters that he would use his "atomic pistol" on them.

Mr Zhirinovsky's visit, which has provoked some unease in France, was arranged as part of a wider visit by 18 delegates from different political groups in the Russian parliament.

The Council of Europe was yesterday at pains to point out that Mr Zhirinovsky was not invited explicitly by them to attend the conference on the former Yugoslavia. "It is not for us to choose who represents Russia – the Russians chose groups from across the political spectrum – that's parliamentary democracy," one official commented.

France has warned Mr Zhirinovsky he faces expulsion if he makes trouble. To show its displeasure at his presence in the official Russian delegation, Paris has told him he may only stay for the one week of *the session and may not leave Strasbourg.*



Crime laws head hectic US Congress schedule

By George Graham in Washington

The US Congress faces a hectic legislative schedule after returning to Washington yesterday from a two-week recess, with healthcare, crime, welfare reform and campaign finances likely to dominate debate in the coming weeks.

Crime legislation, of which one version has already passed the Senate, will be the immediate priority, with debate scheduled in the House of Representatives later this week.

But House leaders have not yet reached agreement on the exact contents of their version of the bill, which will roll together measures including proposals for mandatory life sentences for a third violent offence. Gun control and death penalty components of the bill are likely to be controversial.

Congressional leaders say the healthcare reform bill will be more difficult to craft, but claim legislation can be passed by both the House and the Senate before July, opening the way for a climactic conference between the two chambers to reconcile their two versions, at which the real shape of the reform will finally be determined.

Senator George Mitchell, the Democratic leader, yesterday met Senator Robert Dole, his Republican opposite number, to try to agree on how to arrange a busy programme for the Senate, with a possible clash looming over Mr Dole's insistence on congressional hearings into President Bill Clinton's financial involvement in the Whitewater affair.

Mr Dole has threatened to delay action on other legislation if he does not get his way on Whitewater hearings, but Mr Mitchell, who had to handle another threatened Republican filibuster yesterday over legislation to designate 3.75m acres of Californian desert as wilderness, warned the Republicans against such delaying tactics.

"Senator Dole is a good friend and a very smart man, but I would not want to be him going to the American people and saying: 'We think Whitewater is more important than passing a crime bill. We think Whitewater is more important than passing a healthcare bill'," Mr Mitchell said in a television interview on Sunday.

Mr Mitchell's own future could influence the Senate's work this summer. The Democratic leader has already said he will not run for re-election in November, but if Mr Clinton were to select him to fill the vacant seat on the Supreme Court he might leave the leadership even sooner.

So far only Senator Thomas Daschle of South Dakota has declared himself a candidate for the leadership, while Senator John Breaux of Louisiana, who had been considered a leading contender, yesterday said he would not seek the job.

Ruling party's vote share slips as centre-left alliance sweeps capital

Poll boosts Menem's ambition

President Carlos Menem: his ambition to win a second term next year dominated the campaign Reuter

By John Barham in Buenos Aires

Argentina's governing Peronist party won its fifth consecutive electoral victory on Sunday, but saw its share of the vote slip from the 40 per cent it won in 1991 and 1993 mid-term congressional elections.

The Peronists took 38 per cent of the votes in a poll to elect an assembly that will rewrite the country's constitution.

President Carlos Menem's ambition to be re-elected to a second term in 1995 dominated the campaign. The current constitution bans presidents from succeeding themselves and can only be amended by the specially-elected assembly.

Former president Raúl Alfonsín's Radical party was the great loser, taking only 20 per cent of the votes in its worst result since the return of democracy in 1983. In last year's elections it polled 30 per cent.

The great winner was the upstart Frente Grande centre-left alliance that swept the federal district of Buenos Aires with 36 per cent of the votes, against 25 per cent for the Peronists, by campaigning on an anti-corruption and anti-government platform.

Mr Manuel Mora y Araujo, a leading pollster, said: "The government did pretty well considering it has been in power almost five years. The result shows that economic stability is not affected. But [the government] is showing signs of fatigue."

Nonetheless, Mr Menem is assured of enough votes in the 305-seat assembly to lift the re-election ban, because the Radicals pledged support for a constitutional reform package negotiated by Mr Menem and Mr Alfonsín last year.

Voters punished both mainstream parties, which have dominated the scene for 50 years. The Radicals lost by failing to appear as a credible opposition force. A reputation for corruption, infighting and local political disputes damaged the Peronists.

A record one-third of voters stayed away from the polls or spoilt their ballots, showing only modest support for constitutional reform and Mr Menem's re-election.

Mexican murder inquiry set back

By Damian Fraser in Guadalajara

The investigation into last month's assassination of Mr Luis Donaldo Colosio, presidential candidate of Mexico's ruling Institutional Revolutionary party, has received a setback after a judge freed an official accused of helping plot the murder.

The judge on Sunday released Mr Rodolfo Rivapalacio, a PRI official who hired the security guards accused of aiding the assassin, on the grounds of insufficient evidence. Mr Rivapalacio had been charged with indirect involvement in the murder.

His arrest had led to speculation that an organised faction in the PRI was behind the murder of Mr Colosio, and his release seems to put back hopes that the government prosecutor will discover who, if anyone, ordered the assassination.

The judge ruled that there was sufficient evidence to bring to trial Mr Mario Aburto, the confessed assassin, along with three security guards at the campaign rally in Tijuana where Mr Colosio was killed – Mr Vicente Mayoral and his son Rodolfo, and Mr Tranquilino Sanchez.

The three security guards were held on the basis of a video and photographs that appear to show them helping Mr Aburto gain access to Mr Colosio. However, Mr Aburto has said he acted alone.

Mr Rivapalacio, an official in a Tijuana branch of the PRI and a former policeman, was not implicated by the video evidence, making it hard for the government to sustain its case against him.

The government prosecutor has not released any evidence beyond the video and photographs. While suggestive, the photographic evidence appears to be insufficient to prove the guilt of the accused guards.

New leader for Haiti promised

A group of pro-military senators vowed yesterday to install a new president of Haiti to replace Mr Jean-Bertrand Aristide later this week, Reuter reports from Port-au-Prince.

The eight senators, who were elected after the military ousted Mr Aristide in a coup in September 1991, passed a resolution in the Haitian Senate on Sunday declaring that the presidency was vacant.

IADB capital to be boosted by two-thirds

By Stephen Fidler, Latin America Editor, in Guadalajara

An agreement to expand the capital of the Inter-American Development Bank by two-thirds was forged early yesterday by shareholder governments. The change enlarges the stakes of Japan and Europe in the institution.

The accord will take the capital of the bank from $61bn to $101bn (£69bn), making it the largest of the regional development banks. The stake of Japan will rise from 1.1 to 5 per cent and that of four of the five main European shareholders will double. Germany, Spain, France and Italy will increase their share of the bank to just under 2 per cent, but Britain's will remain unchanged at under 1 per cent.

The agreement, which accomplishes a long-held Japanese ambition to increase its influence in a region where it has financially supported US initiatives, will be achieved by reducing the share held by the US, Canada and Latin American members in the bank. The US stake drops to a fraction above 30 per cent from 34.67 per cent, while that held by Latin American and Caribbean countries falls to 50 per cent from 53.88 per cent. Two extra board seats were created, for Japan and Chile, bringing the board size to 14.

The move was broadly welcomed. Mr Lloyd Bentsen, US Treasury secretary, said in Washington: "The agreement represents tremendous progress, reflecting the vitality of both the bank and the region." Mr Hans-Peter Repnik, Germany's vice-minister for economic co-operation and development, who chaired the talks, said he was "very satisfied by the result, particularly because it gives the non-regional countries finally their proper role in the most important development institution for Latin America and the Caribbean".

The accord, which allows the bank to lend indefinitely at the current rate of $8bn a year or somewhat more, will also set in train big changes for the bank's operations.

In a move designed to meet concerns that newly privatised companies will be unable to raise finance, the bank will be expected to make up to 5 per cent of its loans to the private sector. Convention previously dictated the bank make all its loans under government guarantee.

Loans to the private sector will be expected to encourage further lending by private financial institutions. In no case will the bank's lending exceed $75m or 25 per cent of a project's costs. Interest rates will be decided on a case-by-case basis depending on the perceived risk of the project, and could theoretically be higher or lower than the lending rate to governments, currently 7.26 per cent.

Asked about concerns that lending without government guarantee could hurt the bank's top credit rating, Mr Repnik said the bank's management had shown itself capable of handling the risks. "I don't see any particular risk, but rather new possibilities," he said.

The bank will also expand lending to fight poverty. Some 40 per cent of the value of loans and 50 per cent of the number of loan operations will be directed towards social sectors.

Some 35 per cent of total lending will be directed to the region's smaller countries.

US plays down Latin American Nafta hopes

Washington cautious, says Stephen Fidler

US officials are beginning a campaign to play down Latin American countries' expectations of quick accession to the North American Free Trade Agreement, while trying to maintain progress towards more liberal trade in the western hemisphere.

The officials, conscious that the summit of Latin American leaders set for Miami in December risks raising expectations of rapid Nafta expansion, say they are still formulating policy. But discussions at conferences in Guadalajara around the annual meeting of the Inter-American Development Bank have provided some indication of the possible direction of US policy.

In the next few months, two reports by the administration will go to Congress. The first in May will provide a general overview of countries in Latin America and elsewhere and of how they measure up to standards seen as vital to either Nafta association or a bilateral free trade accord with the US, such as the extent to which the economy has been liberalised and opened to free trade.

In July, the administration must notify Congress of the countries with which it believes it will be able to enter talks. In doing so it will ask for fast-track authority, under which Congress gives the administration a free negotiating hand. It will not be able to do this again until July 1997.

According to US officials, the net is likely to be cast as widely as possible, but being nominated will not imply a rapid movement toward negotiations. With mid-term congressional elections due in November, the administration will have other priorities for the second half of this year.

Nafta came into force between the US, Canada and Mexico at the start of the year, and the Nafta vote in Congress in November was described by one official as "one of the most divisive and dramatic in recent US history". The administration will not be rushing to repeat the experience. Negotiations with Chile – the one country with which President Bill Clinton is so far committed to negotiate – appear unlikely to start in earnest before 1995, officials confirmed.

But in the interim the administration wants to keep the process on track, first by ensuring other trade arrangements in the hemisphere do not push potential partners further away from Nafta, and second by encouraging other countries to adopt measures that will bring them closer to Nafta qualification.

Ms Carmen Suro-Bredie, assistant US trade representative responsible for the region, said this interim strategy would seek to establish bilateral investment treaties and more satisfactory arrangements to protect intellectual property in the region.

She said the US would "look at integration schemes across the border and links between Asia and Latin America". Latin America's evolving trade arrangements should be transparent and should not create barriers to trade by outside countries. This should help to ensure that new arrangements do not impede future efforts to accede to Nafta.

Finance minister flies to London to state his case

Canada vows to crush deficit

By Peter Norman, Economics Editor

Mr Paul Martin, Canada's finance minister, feels badly misunderstood.

In recent weeks, interest rates have soared and the Canadian dollar has been under pressure on the foreign exchange markets. Last Friday Moody's Investors Services announced that it might downgrade Canada's foreign currency debt from its Aaa rating.

Yet Mr Martin, appointed finance minister in November after the Liberal party's landslide election victory, insisted yesterday that Canada's new government had mounted the most determined assault on the country's budget deficit in two decades. He was in London to impress this message on financial markets.

Mr Martin underlined that the Canadian government's policy was "to keep its eye on two balls – deficit reduction and job creation". He told the Financial Times: "Everything should be geared to that."

But he made clear that fiscal rectitude came first in his list of priorities. Canada last week announced its best employment figures for two years with a sharp fall in unemployment to 10.6 per cent in March from 11.1 per cent in February and 11.4 per cent in January. Mr Martin was in no mood to make optimistic predictions or hail the drop in the jobless rate as a sign that Canada's export and investment-led economic recovery was becoming more broadly based.

"We were elected to create jobs, and we recognise that we can't create jobs unless we mount a fundamental assault on the deficit problem," he said.

Mr Martin stressed that the government would not retreat from the goal enshrined in its February budget of bringing the deficit down to 3 per cent of gross domestic product or about C$25bn (£12.3bn) by 1996-97. The budget, which envisages a reduction in the deficit to C$39.7bn in 1994-95 from C$45.7bn last year, "is the most significant budget in the last 20 years in terms of cuts".

Paul Martin: 'We will take whatever action is required to hit our targets' Lydia van der Meer

The financial markets had failed to recognise that it involved "a deep restructuring of the way government operates", including radical reductions in unemployment insurance and defence expenditure. The markets were wrong to fear that deficit reduction might be put off course by higher interest rates following the rise in US rates since February.

The government had planned for the unexpected, Mr Martin said. "We will take whatever action is required to hit our targets."

It was not properly understood abroad that the 3 per cent deficit to GDP target was anchored in legislation that would be passed in this year's budget bill and that budgets in later years would seek to cut the deficit even more.

Meanwhile, Canada has an inflation rate that is well below the average of the main industrial countries, productivity increases "are going gangbusters" and growth, at an annual rate of 3.8 per cent in the final quarter of last year, is high by international standards and above the government's expectations of a 3 per cent annual rise. Higher than expected growth added further credibility to the government's budget targets, he said.

NEWS: WORLD TRADE

China 'must move further on rights'

By Nancy Dunne in Washington

A senior US commerce department official yesterday said China would have to improve its human rights record further if President Bill Clinton was to renew its Most Favoured Nation trade status in June.

China had made "slow but discernible progress" in some areas, said Mr Jeffrey Garten, undersecretary for international trade, but the administration was "deeply troubled" by the recent arrests of Chinese citizens.

MFN status for China allows its goods the same tariff treatment as other US trading partners. Loss of MFN would be a big blow to both economies.

Mr Garten was speaking at a US-China trade and investment conference in Los Angeles, attended by by Ms Wu Yi, China's minister for trade and economic co-operation.

He welcomed as "positive" a statement on the universal declaration of human rights, delivered by the Chinese foreign minister on April 6. Honouring the declaration is one of the seven criteria set out as a basis for MFN renewal by Mr Clinton last year.

However, said Mr Garten, actions like the recent detentions and arrests of Chinese activists "cast a cloud over our efforts to further co-operation between our two countries".

Mr Garten has been gaining a reputation as a thoughtful trade policy theorist. But he has been criticised for his enthusiastic embrace of US-China commercial relations as part of the department's aggressive export promotion policy. Critics say this has sent "mixed messages" to Beijing.

Yesterday, Mr Garten offered assurances that the US did not seek to infringe China's sovereignty and three times stressed to a government obsessed by stability that co-operation would lead to "stable and prosperous" China.

"Our combined business skills and industriousness can create a powerful engine for economic growth," he said. "The potential benefits to both our countries in improving trade relations will be felt not only in commercial terms and economic security, but more broadly in a secure and stable Asian-Pacific region."

The US asked only for adherence to universally recognised human rights standards, which would provide "a more stable and attractive climate for trade and investment".

Administration officials have recently indicated that there would be little problem in certifying progress on two of the most pressing criteria: emigration and prison labour.

The US wants more information on political prisoners, and the round-up of dissidents is seen as a setback. There has been no improvement of conditions in Tibet, but China has promised to provide information on 106 Tibetan prisoners.

US officials have also suggested that China's co-operation on MFN this year may bring an end to the annual renewal process. Mr Winston Lord, assistant secretary of state, said the administration hoped for a "normal process" in the years ahead, ending the annual debate which has divided the Congress since the Tiananmen uprising.

At present, China, as a non-market economy, must have its tariff status renewed by the president or it will expire on July 3. Congress has until September 1 to pass a joint resolution overruling the president, but he can veto that and it takes two-thirds of the House and Senate to override him.

China pact entices S Korea's big guys

John Burton on an expected surge in trade and investment by conglomerates

The recent visit of South Korean President Kim Young-sam to Beijing has inaugurated a new and bigger phase of South Korean investment in China.

While small and medium-sized businesses pioneered South Korean investments in China, the next stage will be dominated by the country's big industrial groups, or *chaebol*, accompanied by their subcontractors.

The *chaebol* have been cautious about entering China because of market restrictions on the sale of their products and other worries ranging from uncertain business laws to poor infrastructure.

But the signing at the end of March of a Sino-Korean technological and industrial pact will open up the Chinese market to such South Korean products as cars, telecommunications equipment and electronic goods. The conclusion of a double taxation treaty and an agreement on business contracts will also reassure Korean investors.

The entry of the *chaebol* is expected to increase total cumulative South Korean investments in China from $1bn in 1993 to $4bn by 1997, while boosting annual direct trade from $9bn to $28bn. China accounted for almost half of South Korean investment abroad last year, while South Korea enjoyed a $1.1bn trade surplus with China.

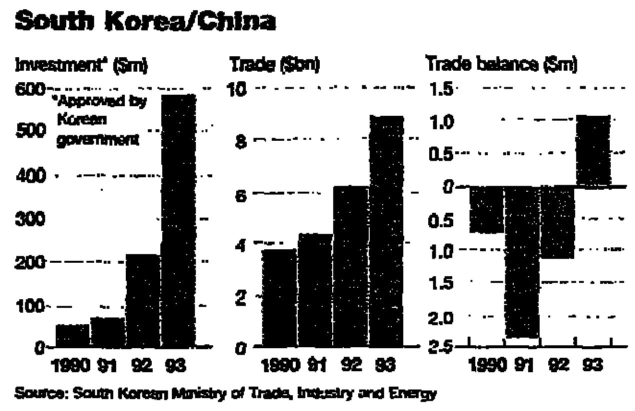
Mr Todd Maurer, analyst at Dongbang Peregrine in Seoul, says China has been "paramount to the survival of financially weaker Korean companies operating within saturated domestic industries", such as textiles, food products and electronic components.

These companies have been using China as a cheap manufacturing base and re-exporting their goods, with their wholly owned factories clustered around the rim of the Yellow Sea because of its proximity to Korea.

Although low wages appeal to the *chaebol*, their primary interest is in developing markets in China in co-operation with local joint venture partners. This reflects a shift in the *chaebol's* strategy toward creating markets in the developing world, in particular in Asia, as competition intensifies in the industrialised countries.

Moreover, the *chaebol* view China as a backdoor entrance to investments in North Korea. South Korean companies may be able to avoid a ban imposed by Seoul on their direct investments in North Korea by using Chinese joint venture partners to establish factories there.

South Korea/China



Source: South Korean Ministry of Trade, Industry and Energy

Korean companies, such as Samsung, are also planning to invest in Chinese-supported transport links to the Rajin-Sonbong free trade zone in north-eastern North Korea.

The *chaebol* have already made initial investments in China, mainly in the electronics sector. Samsung and Goldstar, for example, operate VCR plants in Tianjin, a prime investment area for Korean companies.

Goldstar recently announced that it is establishing joint venture colour TV and VCR factories in Changsha and Shanghai respectively. Meanwhile, Yukong, Korea's biggest oil company, plans to build a $1.5bn refinery in Shenzhen which would be the largest joint venture to date.

Samsung wants to operate plants for petrochemicals, industrial chemicals and electronics, while participating in the construction of port facilities and other infrastructure projects.

Daewoo plans to manufacture heavy machinery, cars and motor vehicle parts, and electronics in China in addition to winning construction orders.

The sectors that will benefit from the new agreement include:

- **Motor vehicles.** The deal will probably allow at least one of Korea's main carmakers – Hyundai, Kia and Daewoo – to build a joint venture factory by 1997. Hyundai and Kia already assemble a limited number of trucks and minibuses in China, while Hyundai and Daewoo operate a small network of after-service outlets. Daewoo plans to establish a parts joint venture soon in Jilin Province in the hope that it can eventually assemble cars in China.
- **Telecommunications:** South Korea will develop a new version of its time division exchange (TDX) system for China's telephone network. Goldstar Telecom and Samsung Electronics are setting up joint venture manufacturing plants for TDXs in Shandong province and want to expand into the production of fibre optics, transmission equipment and handsets.
- **Aerospace:** Aviation industries of China will co-operate with Samsung Aerospace, Daewoo Heavy Industries and Korean Air Lines in developing and producing a medium-sized commercial airliner with 50 to 100 seats for regional carriers in Asia.
- **Electronics:** A Korean consortium, including Samsung and Goldstar, will provide technology for the development of high-definition television in return for access to the Chinese market.

Delays threaten $870m Czech oil investment plan

By Patrick Blum in Vienna

The future of a proposed $870m investment by a consortium of Agip, Conoco, Shell and Total will be put at risk unless the Czech government endorses the project at a meeting of its economic council today, sources close to the consortium say.

A decision on the project, involving two Czech refineries and an oil pipeline linking the Czech Republic with Germany, has been awaited for months by consortium members, worried that nationalists in the government who oppose foreign participation will cause further delays and render the project unfeasible. Under the proposal the consortium would take a 49 per cent stake in the refineries, with the government keeping 51 per cent for the foreseeable future.

The two refineries are included in the wave of voucher privatisations now moving into the decisive stage when voucher holders bid for shares in specific companies. The consortium said the government must make clear its intention to bring foreign partners into the refineries which are to be combined within a single company as outlined in its own privatisation programme for the oil and petrochemicals industry. Failing this, the refineries' ownership structure will become too diversified, with competing shareholders in the two refineries making an effective bid unworkable.

The consortium envisages investing $280m in the Chemopetrol Litvinov refinery, in northern Bohemia near the German border, and about $240m in the smaller Kaucuk Kralupy refinery, some 60km north of Prague.

The consortium also proposes to invest about $150m, a third of the cost of a new oil pipeline to be built between Ingolstadt in Germany and the two Czech refineries. A further investment of around $200m in working capital will be needed to help start up the pipeline and other costs.

The Czech Republic imports practically all its crude oil, about 6m tonnes a year, from Russia, making it prone to political pressures from Moscow. The new pipeline, with an annual capacity of 10m tonnes, would "attach" the Czech Republic to west Europe, an analyst said. It would provide greater security and more flexibility, by carrying different products, and could boost Russian oil exports to Germany. It awaits approval from the Bavarian authorities, and is expected to be completed by early 1996.

Irish airline adds to UK destinations

By Tim Coone in Dublin

Ryanair, the Dublin-based independent airline, is to expand its budget "no-frills" UK-Ireland services with two new UK destinations out of Dublin from next month.

Adding Manchester and Glasgow to its destinations of Stansted, Luton, Liverpool and Birmingham, Ryanair aims to capture market share from Aer Lingus, the state-run airline, and Irish Sea ferry operators.

Ryanair says traffic on the Dublin-Birmingham route has grown by over 60 per cent since it started last October, challenging the Aer Lingus monopoly on the route. The company is confident it can achieve the same level of growth on the Manchester and Glasgow services.

Ryanair will operate eight flights a day between Dublin and Manchester and four between Dublin and Glasgow. Its fares will be half those currently offered by Aer Lingus, the state-run airline, and will almost certainly force Aer Lingus to adjust its fares on the routes.

Fertile soil for economic reforms in Morocco

Prospects are brighter for people living from the land, though the political climate remains grey, writes **Francis Ghilès**

Since last autumn, the heavens have been kind to King Hassan. Never has so much rain poured from the Moroccan skies in a quarter of a century.

This should ensure bumper crops and would be good for the half of Morocco that draws a living from the land.

Two consecutive years of drought have taken their toll. Gross domestic product contracted by 2.9 per cent in 1992, after farming output fell by 29 per cent, and was static last year.

Recession in Europe, Morocco's biggest trading partner, along with a fall in the price of phosphates, one of the country's main exports, have also contributed to lower growth.

But other sectors have recently been growing by about 3 per cent a year and most estimates agree that GDP growth overall could reach 7 per cent in 1994.

As government ministers from all over the world assemble in Morocco this week for the signing of the Uruguay Round global trade liberalisation accords, the country has much to be proud of.

After 10 years of liberalisation moves, the dirham has been made convertible for current account transactions and prices are essentially free of control, the banking sector is slowly being recapitalised and privatisation is under way.

Meanwhile, the strict fiscal austerity Morocco has followed since 1984 has brought the budget deficit down from 12 per cent to 2 per cent of GDP.

Key changes are being enacted this year in the banking sector and the privatisation programme launched last year speeded up.

The political climate, however, in keeping with the heavens, remains grey and may not encourage the broad support the Moroccan government needs to see through the reforms.

Last November the pro-labour Union of Socialist and Popular Forces (USFP) and the nationalist Istiqlal (Independence) opposition parties alleged that the second round of the general elections had been manipulated by the powerful minister of the interior, Mr Driss Basri.

They declined the king's offer to join in a coalition government with other pro-government parties.

King Hassan professed to be "bitterly disappointed" but said he would continue to seek a dialogue with the opposition.

Ministers in the government of technocrats headed since last November by the veteran conservative prime minister, Mr Mohamed Karim Lamrani, who has long been one of King Hassan's trusted advisers, are finding the new intake of deputies far more combative and questioning of government decisions than before.

Parliament thus provides a truer reflection of society at large – mindful of the advantages of a strong monarchy but keen to speak its mind more freely and win a real say in decision-making.

Mr Mohammed Sagou, finance minister, had an unusually rough ride when he presented the budget earlier this year.

All parties are mindful of the violence racking neighbouring Algeria but so far the king's religious authority has been enough to avert serious Islamist opposition.

Moroccan leaders know they must speed up the pace of economic reform and industrialisation if their country is to take full advantage of the trade and aid partnership it is negotiating with the European Union and satisfy the needs of most of the hundreds of thousands of new entrants to the labour market every year.

The population has risen faster than average real GDP growth since 1989.

The World Bank notes that Morocco, along with Tunisia, has been caught between competitors who had been more successful in broadening their industrial base and exports, and others who enjoyed cheaper labour costs, notably in textiles.

Reforms are being introduced into the banking sector.

Mr Mohamed Seqqat, governor of the central bank, is phasing in over this year a set of stricter prudential lending rules.

Bankers in Casablanca say these rules are forcing them to limit their exposure to any one group of companies to 7 per cent of their capital and will force a reorganisation of their loan portfolios.

They will have to make higher provisions for loans they extend to companies whose financial position is not considered sound.

The authorities are also gearing up for the launch of a market in government securities and private bills.

The IMF and the World Bank are pressing the Moroccan authorities to lift the monopoly which the central bank has so far enjoyed in the sale and purchase of foreign currencies.

The development of a free foreign exchange market would give Moroccan companies access to international capital markets.

Mr Jaloul Ayed, general manager of Citibank in Casablanca, points out that "more and more Moroccan companies boast high technology, modern management and marketing but are handicapped by the absence of a modern financial system such as enjoyed by their peers in Europe and Asia."

The privatisation programme launched last year is meanwhile being speeded up.

Receipts from the sale of state holdings in Moroccan companies is expected to increase 40 per cent to reach $350m this year.

By late spring, the state will have completed its disengagement from oil and gas distribution companies nationalised in the 1970s – most have reverted to their foreign owners.

Power generation is being opened up to the private sector for the first time as international companies submit bids for a new thermal power station.

The government then plans to start privatising four financial institutions.

They include Banque Marocaine du Commerce Extérieur, in which the state has a 70 per cent stake and which holds a quarter of all domestic deposits.

The others are Banque Nationale du Développement Economique; Credit Immobilier et Hotelier, which finances hotels and housing, and Banque Populaire du Maroc, a co-operative bank which holds a third of all deposits and which is expected to be sold to its regional bank shareholders.

The new minister of privatisation, Mr Abderrahmane Saadi, a former partner of Price Waterhouse and chairman of L'Economiste, Casablanca's most lively economic weekly, says the government decided to retain only a 5 per cent "golden share" in each of the four institutions.

Two broad challenges face Moroccan leaders as they enter this crucial stage of reform.

The first is to redress the huge imbalance which exists in the standards of education, health and income between different social groups in the cities and between the towns and the countryside.

The second is to tackle constraints younger Moroccans seeking to set up companies face – the high cost of industrial land, what many entrepreneurs describe as the "piranha-like behaviour" of customs and tax officials, and an unreliable judicial system, notably in the field of business.

Such moves are vital if Morocco is to avoid, in the longer run, the resentment and revolt which elsewhere in the Arab world have proved fertile ground for supporters of radical Islam.

Moroccan troops patrolled in Marrakesh yesterday prior to the Uruguay Round ceremony Reuter

McDonald's finds some burghers are riskier than others

By Richard Lapper

The Netherlands is one of the most dangerous places in the world, outside the US, to eat a Big Mac, according to a survey.

McDonald's commissioned Tillinghast, the actuaries and consultants, to collect data on their outlets and found that some 50 McDonald's restaurants in Amsterdam and other Dutch towns and cities were nearly twice as likely to suffer property damage and loss of profits through fire, flood, wind damage, vandalism and theft than fast food outlets located in eight other Asian and European countries.

The survey, which Tillinghast has called "The Big Mac Cost of Risk" was carried out in 1992 to help McDonald's set up its own Dublin-based "captive" insurance company, especially dedicated to insure the company's own risks.

"There does not appear to be any single explanation," said Mr Mark Scully, one of two Tillinghast consultants who worked on the project.

Heavy storm and flooding which affected the Netherlands during 1990 and 1991 may be part of the reason, he suggested, although there are some indications that vandalism is becoming a bigger problem.

The survey found that McDonald's restaurants located in France have a record only marginally better than those in the Netherlands and have lost more money from theft. The rate of theft and accident losses in Germany and the UK also rose sharply during 1990 and 1991.

It also discovered that McDonald's liability claims – which mainly result resulting from legal action by disgruntled customers – were three-and-half times higher in Ireland than in the UK and almost eight-times higher than in any other location.

Mr Scully said the Irish figures were "startling. It seems that the legal system is more adversarial, much more like the United States."

The survey also found that crime and accident trends are rising sharply in the UK, Germany and Hong Kong and that liability costs are increasing apace in the UK, France, the Netherlands and Hong Kong.

Taiwan has the worst record of the east Asian countries included in the survey. The cost of claims for property damage, business interruption, crime, and liability are significantly higher than in either Hong Kong or Singapore.

The safest McDonald's in the countries covered in the survey are in Switzerland and Singapore.

The company excluded some countries from the comparison on the grounds that they have insufficient restaurants to make a comparison credible.

Belgium steps up Kigali rescue

By Gillian Tett in Brussels

Belgian paratroopers were yesterday beginning a high-risk operation to rescue the remaining foreign nationals scattered across the Rwandan capital, Kigali, the scene of bloody inter-tribal massacres.

But with the Rwandan rebels reported to be marching on the capital, prompting fears of further clashes, the Belgian defence ministry said of foreigners trapped in outlying areas: "We do not envisage for the moment pushing our action further than Kigali – it is not possible given the difficulties we are experiencing in Kigali itself."

The first group of Belgians to leave Rwanda yesterday were returned to Brussels, with several hundred more expected to be evacuated from the centre of Kigali later today. Several hundred French and US nationals also left Rwanda yesterday.

There are currently 400 Belgian paratroopers in Kigali.

Rwanda, a former colony of Belgium, was previously estimated to have some 1,500 Belgian residents, the largest group of any foreign nationals.

Six Belgian civilians have been killed in the fighting, in addition to the 10 Belgian soldiers serving with the United Nations forces massacred on Thursday, the Belgian government confirmed.

Three of these were killed in the northern town of Gisenyi at the beginning of the fighting, with the remainder killed more recently in Kigali, said Mr Willy Claes, Belgium's foreign minister.

The killings have provoked outrage in Belgium, fuelling fears that the violence may have taken a particularly anti-Belgian twist, particularly among the majority Hutu tribe, which has accused the Belgians of supporting the rebels.

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For further details please contact the Joint Administrative Receivers, Allan Griffiths and Scott Barnes, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. Telephone: 071-383 5100 Fax: 071-383 4715.

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For further information please contact Sandy Brown or Sal Algeri at Touche Ross & Co., Cedric House, 8-9 East Harding Street, London EC4A 3AS. Tel: 071 936 3000. Fax: 071 480 6881.

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- Lupus Electrical Products Limited manufactures distribution boards and custom built lighting.

Other principal features of the businesses include:

- SRE Distribution and Lupus Electrical Products, operate from excellent leasehold factory and offices of 11,000 sq.ft. in Sheffield
- Estwic Products and SRE Controls, operate from modern freehold premises in Alfreton, close to the M1 and A38 of 10,500 sq.ft., with land for expansion
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For further information please contact David Stokes, Joint Administrative Receiver at Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET. Telephone: (0742) 729141. Fax: (0742) 598202.

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  - creche facilities
  - members lounge & snack area with partially licensed premises.

For further information contact John Powell or Linda Forish at Coopers & Lybrand, Hadrian House, Higham Place, Newcastle upon Tyne NE1 8AP. Telephone: (091) 261 2121. Fax: (091) 230 5993.

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- specialist steel pulp business (estimated US$1.3m pa)
- salt farm at Tonga
- all sites held on Tanzanian equivalent of freehold.

Offers will be considered for the separate businesses or for the whole.

For further details, please contact Leonard C Mususa, Receiver and Manager, Coopers & Lybrand, P O Box 45, Sukari House, Ohio Street, Dar es Salaam, Tanzania. Telephone: (255) 51 32401/4. Fax: (255) 51 29034. Telex: 41160.

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Dan Air sale evades merger rule's scope

EUROPEAN COURT

The European Court of First Instance has rejected Air France's appeal against the European Commission's finding that British Airways' acquisition of Dan Air was outside the scope of the European Merger Regulation.

The CFI said a public announcement by the Commission that an unnotified merger did not satisfy the turnover thresholds of the merger regulation was a decision reviewable by the Court. But it approved the Commission's calculation of the turnover of Dan Air for the purposes of deciding whether the merger had a Community dimension.

On October 23 1992, BA and Davis and Newman, owners of Dan Air, agreed BA would purchase Dan Air's scheduled services. Davis and Newman agreed to sell or discontinue Dan Air's charter business as a condition of the deal. Before completion on November 8, the charter service was discontinued.

On October 30 1992, the European competition commissioner's press spokesman made a public announcement, reported by Agence Europe, that the merger was not of Community dimension as one of the quantitative thresholds fixed by the merger regulation was not reached.

In calculating turnover, the Commission had used only the *turnover in the last available* accounts relating to the scheduled services business bought by BA, *excluding the turnover of the* charter business.

On November 2, the UK's trade and industry secretary decided not to refer the deal to the Monopolies and Mergers Commission.

Air France wrote to the European Commission disputing the turnover calculation and the conclusion that the merger regulation did not apply. The competition commissioner confirmed the Commission's position.

Shortly afterwards, Belgium asked the Commission to investigate the impact of the merger on the Belgian market in accordance with merger regulation rules permitting a member country to make such a request when a merger does not have a Community dimension. On February 17 last year the Commission ruled the merger did not create or reinforce a dominant position in Belgium.

Air France challenged the Commission's announcement that the merger did not have a Community dimension before the CFI.

The Commission asked the court to dismiss the appeal as inadmissible on four grounds: the announcement was not a decision because it had no legal effects; its form was inconsistent with its being a binding decision; there were other more appropriate proceedings available to Air France at EC and national level; and, even if the announcement was a decision, it was not of direct or individual concern to Air France.

The CFI ruled the appeal admissible, rejecting all the Commission's arguments. Two aspects of the Court's decision are particularly significant.

First, it said it did not matter that the merger had not been notified, nor that the announcement was not a formal decision taken under the regulation.

Second, the court found the decision was of direct and individual concern to Air France because it was a competitor in the relevant market.

The CFI found against Air France on the issues of substance, however. The underlying question was whether the Commission had correctly interpreted the turnover calculation rules. Air France said it should have included the charter business turnover. But the CFI said the Commission had correctly interpreted the rules.

The general rule on turnover calculation required the Commission to take into account the turnover of the undertakings concerned by the merger as reported in the most recent published accounts. However, an exception existed where only part of a business was being sold. In those circumstances the Commission may only take into account the turnover of that part of the business actually sold. It did not matter that the exception did not expressly refer to the cessation of part of a business prior to merger as in the BA-Dan Air case.

T-3/93: Air France v Commission, CFI 2 CH, March 24 1994

BRICK COURT CHAMBERS, BRUSSELS

Business has become accustomed to the expense of commercial litigation in the English High Court. Now a survey of City lawyers, in Legal Business magazine, suggests the overall standard of High Court judges is so poor that businesses are no longer getting value for their money.

This is not only of concern to leading City law firms and their clients - it also threatens to damage London's reputation as a centre for international litigation. The Commercial Court, which deals with international trading and commercial disputes, contributes hundreds of millions of pounds each year to UK invisible earnings.

The current system of drawing High Court judges from the ranks of leading QCs is held to blame. There are not enough senior barristers of the right quality prepared to serve on the bench. Many are unwilling to give up lucrative careers at the commercial Bar for a High Court judge's salary of £85,051 a year and the promise of a pension. According to the survey, eight of the 35 QCs offered High Court judgeships last year said no.

The solution advocated by many lawyers is to widen the pool from which High Court judges are chosen to include solicitors, and in particular to make use of the specialist knowledge and expertise of City solicitors in handling complex commercial litigation.

A report by the City of London Solicitors' Company, the City lawyers' representative body, published this week endorses that view. It calls for fundamental changes to the present judicial appointments system to make it easier for City solicitors to be appointed High Court judges.

What do City solicitors have to offer? Approximately 5,000 practise in the City - the home of the 11 largest law firms in the UK, which are instructed by the biggest companies in the country.

The report says the City has a pool of talent with specialised knowledge of company and commercial law, banking, commercial property and commercial litigation. City solicitors also have more commercial awareness, thanks to their contact with business clients, and greater experience in the management of litigation.

Specialised courts, such as the Commercial Court and the Official Referee's court, have already cut delays and improved efficiency by adopting a specialist emphasis, says the report. The speed of resolving a dispute is quicker with a judge on the bench who is a specialist in the issues being litigated.

As yet, however, there are no City solicitors sitting as High Court judges. At the moment, the route for any solicitor to the High Court bench is long and arduous.

Too shallow a pool

City solicitors find it hard to qualify as judges. **Robert Rice** investigates

Judging the judges: City solicitors want the selection system changed

The only realistic path begins with appointment as an assistant recorder for at least three years. This is a part-time position: assistant recorders sit for between 20 and 50 days a year. To qualify for appointment, applicants must have had advocacy rights in the Crown or county courts for at least 10 years. The application process is lengthy and can take three years.

Solicitors then have to sit as recorders for not less than two years, and probably at least three. This is also a part-time appointment, requiring them to sit for between 20 and 50 days a year.

After a minimum of two years, they become eligible for the Circuit Bench. After two years as a Circuit Judge (or 10 years' High Court advocacy rights) they become eligible for the High Court bench.

Even the fastest moving candidates are unlikely to reach the High Court bench in less than eight or nine years from application. Solicitors aiming for the High Court therefore need to apply in their early 40s if they are to achieve a full-time judicial appointment by the age of 50, and qualify for a full pension under the new pension arrangements for the judiciary.

The report by the City of London Solicitors' Company says it is hard for any solicitor to meet the requirements of this system, but it is almost impossible for City solicitors. Most successful City solicitors expect to become full partners between 34 and 38. Their early 40s, therefore, are the time when their careers and their earning potential are likely to be at their peak.

Most of them have other commitments in the running of their firms at that stage. Many find it hard enough to squeeze in a holiday, without committing between 20 and 50 days a year to sitting as an assistant recorder or recorder.

The current system also ignores partnership pressures. However relaxed a partnership may be, the cost to any firm of one partner embarking on the path to full-time judicial appointment in the early 40s is likely to be prohibitive.

The Solicitors' Company believes several changes are needed:

- The system needs to be more flexible, so that solicitors in their early 50s who are winding down their City practices can offer some of their experience to the bench at the point in their careers when they are best able to do so.

To achieve this, the system has to allow City solicitors to be appointed directly to full-time judicial posts. In theory, the report says, there is no reason why suitably qualified solicitors should not be appointed directly to the High Court.

- There is a need for more specialised courts. At present, judges are not assigned to the courts to which they are best suited, and cases are not allocated to the judges best suited to hear them. City solicitors with specialist knowledge should be allocated to courts that deal with disputes in areas in which they have expertise.
- The present system for vetting candidates for the High Court bench, which places undue reliance on the views of the serving judiciary and senior members of the Bar, should be abolished and replaced with a Judicial Appointments Commission, made up of lawyers and lay people.

Although the Law Society has agreed to help the Lord Chancellor's Department in assessing solicitor candidates for judicial office, the report says it knows far too little about individual solicitors and their practices for its opinion to be of much value. An independent vetting procedure is therefore needed.

- The solicitors' company wants judges to be able to return to private practice after serving on the bench. Abandoning practice has become a condition of appointment to the bench for no apparent good reason, it says.

Both sides of the profession could benefit if judges returned to practice or took up academic positions or posts in commerce and industry. This happens in other common law jurisdictions, such as Canada and Scotland, and could encourage those reluctant to give up lucrative practices to offer their services, albeit for a limited time.

The report concludes that, if the Lord Chancellor's Department agrees that City solicitors have a potentially valuable role to play in the judiciary, it should make the appropriate changes to the system. It cannot continue to expect City solicitors to fit in with a system designed primarily to accommodate members of the Bar.

LEGAL BRIEFS

Backing for new insolvency procedure

The Law Society has endorsed the introduction into English insolvency law of a "corporate voluntary arrangement" procedure, under which there would be a moratorium on creditors' rights prior to a creditors' meeting to consider the CVA proposals.

The small number of administrations and CVAs since the 1986 Insolvency Act came into force is seen as evidence of the absence of a company rescue culture in the UK. However, the Law Society's company and commercial law committee warns that the number of successful rescues as a consequence of CVAs is likely to be small.

Many companies became victims of the recent UK recession because of changes in fundamental economic factors, for which existing rescue procedures provide no relief, the committee says.

It suggests, therefore, a limit on the extent to which CVAs should take precedence over existing insolvency procedures. The rights of floating-charge holders, for instance, should not be altered radically unless it is clear that any changes will not diminish companies' ability to raise finance. The committee also wants checks imposed on directors during the moratorium to prevent them from using the CVA to retain control of their company for longer than is appropriate.

Heading east

New York-based Shearman & Sterling has opened an office in Hong Kong, the latest in a long list of US and UK firms to seek a foothold in south-east Asia. The new office will be staffed by eight full-time resident attorneys, three of whom have defected from the Hong Kong office of Los Angeles's Gibson Dunn & Crutcher.

PEOPLE

Koerfer to chair Sutherland

Sutherland & Partners, the small Edinburgh stockbroking house which says it is the only institutional broker headquartered in Scotland, has appointed a Swiss as its chairman. He is Patrick Koerfer, a London-based director of the Swiss fund manager Global Asset Management.

"We could have done what other companies here do and appoint a Scottish dignitary," says Ken Brown, the managing director, "but we felt that with our international orientation Patrick Koerfer would be more valuable to us."

Sutherland was founded in late 1989 to provide international soft commission services to UK clients and independent research to international clients. That formula was only partially successful and in 1991 Roderick Sutherland, the founder, resigned as ceo. He ceased to be non-executive chairman last February, since when there has been no chairman.

Since 1992 Sutherland & Partners, which employs 25 people, has concentrated on execution-only dealing, traditional advisory stockbroking and research-based broking in the whisky, retail and pharmaceutical sectors. Its institutional clients are in continental Europe and the US as well as the UK.

Brown says the company is based in Scotland "because that is where we all want to live". The fact that Edinburgh is not a major stockbroking centre offers complete discretion compared with London, he says. "There is none of the tittle-tattle you get in London. You can do a deal here without people getting wind of it."

Koerfer, who is in his 50s, will bring to the company his ability to introduce Sutherland to European clients and will accompany Sutherland executives on forays on the continent.

Finance moves

Hong Kong has been the world's most profitable banking market in the past year; Ian Wilson is therefore taking over one of the most enviable posts in a British bank by becoming Standard Chartered's general manager for Hong Kong and China.

Wilson, 52, succeeds Tony Nicolle, the former Hong Kong banking commissioner who was appointed to oversee Standard Chartered in the colony in 1991 – when it was in a troubled period – by Rodney Galpin, its former chairman.

Nicolle, 59, is retiring from Standard Chartered. Wilson has had a long career with the bank, joining in 1961 and serving in India, Singapore, the US, South Korea and Malaysia before becoming chief executive Hong Kong in 1991.

Since September 1992 he has been general manager for the Middle East and Asia.

■ Richard Ryder, international telecommunications analyst, has left Salomon Brothers and is heading for Swiss Bank Corporation to set up a new team of analysts covering global telecommunications.

SBC lacks expertise in this area and has apparently been on the look-out for a suitable candidate for a while. Ryder, 46, will be head of global telecommunications research, working with a handful of analysts – *still to be appointed*; the bank sees "telecommunications and media as one of THE sectors which will have a great future".

Ryder had a high profile at Salomon Brothers, his home for the last seven years, where he was global co-ordinator of telecommunications research. He points out that with some $40bn worth of telecoms issuance expected in Europe as a result of privatisations over the next three years, the area is "a big apple to take a bite out of".

■ Mike Shilling has been appointed director of product development at RECORD TREASURY MANAGEMENT.

■ George Gibson has been appointed to the board of SANWA INTERNATIONAL.

■ Peter Beale has been appointed a director of Martin Bierbaum Information Systems, part of TRIO HOLDINGS.

■ Gary Steinberg has been appointed to the new position of global investment strategist at Capital House, part of The ROYAL BANK OF SCOTLAND; he moves from the Universities Superannuation Scheme.

■ Mark Montgomery has been appointed dealing director of HOENIG.

■ Grant Johnston, formerly vice-president, capital markets at Citibank, has been appointed head of NATWEST Capital Markets' syndicated loan distribution and debt trading activity.

■ David Somers, deputy md and director of investment for Nikko Capital Management (UK), has also been appointed md of Fraser Green and Fraser Unit Trust Managers, *subsidiaries of NIKKO* International Capital Management (Tokyo).

■ Jim Smeal, formerly head of UK private banking at The ROYAL BANK OF SCOTLAND, has been appointed chief manager of its Drummonds branch in London.

Barry moves up at Wellcome

UK pharmaceuticals company Wellcome is merging the management of its entire research, development and medical (RD&M) operations into one unit under David Barry.

He takes over from Trevor Jones, formerly head of RD&M outside the US. Jones, 51, moves to Wellcome's corporate headquarters to work with chairman John Robb on what the company calls "strategic projects" from May 1.

Wellcome says the changes bring the company into line with the rest of the industry where one head of R&D is the norm.

Barry, 50, most recently held the post of vice president of RD&M at Wellcome's US operation Burroughs Wellcome. He has been a main board director since 1989, having joined Burroughs Wellcome in 1977. Previously he was a surgeon who worked for the US Food and Drug Administration.

■ John Crossman, company secretary of P&O, is appointed to the board with additional responsibility for group safety and environmental policies.

■ Hal Chenhall, formerly marketing director of Gould Instrumentation Systems, has been appointed md of Penny & Giles Drives Technology, part of BOWTHORPE.

■ Howard Stanworth, previously chairman and chief executive of Texas-based Appletree Markets, has been appointed a group director at APV.

Non-executive directors

Elliott Bernerd, the 48-year-old property developer, has recruited Sir Alan Hardcastle, 60, a former head of the government's accountancy service, as a non-executive director of his latest quoted property venture – Chelsfield.

Sir Alan, who stepped down from the Treasury last September, is a former senior partner of KPMG Peat Marwick. He is currently chairman of the regulatory board of Lloyd's of London and is a member of the Bank of England's board of banking supervision.

Sir Alan, who held the title of chief accountancy adviser at the Treasury, will be chairman of Chelsfield's audit committee. The committee, made up solely of Chelsfield's non-executive directors, will receive and review reports from the management and the auditors relating to the accounts and the group's internal control systems.

Bernerd, who owns 30 per cent of Chelsfield which he brought to the stock market at the end of last year, says that since several of Chelsfield's non-executive directors are based overseas, he had been keen to recruit someone based in the United Kingdom.

■ Frances Heaton (above), former director-general of The Takeover Panel who has returned to her directorship at Lazard Brothers, at COMMERCIAL UNION.

■ David Jefferies as chairman of NORTHERN IRELAND ELECTRICITY on the retirement of Sir Desmond Lorimer in July; Lynda Rouse, a director of BZW and a member of the energy advisory panel to the DTI, also joins the board.

■ John Hunter, chief executive of the Hartstone Group, at MORE O'FERRALL.

■ John Warren, group finance director of United Biscuits, at BOWATER.

REPUBLIC OF POLAND
THE MINISTRY OF PRIVATIZATION

INVITES INVESTORS TO BID FOR

the purchase of up to 51% stock of

CHEMAR Joint Stock Company in Kielce, which is a manufacturer of chemical equipment and industrial fittings.

The Minister of Privatization acting on behalf of the State Treasury, in accordance with article 23 of the *Act of Privatization of State Enterprises of July 13, 1990 (Dziennik Ustaw* no. 51/90, point 298 with later amendments), hereby invites all potential investors interested in acquiring not less than 10% of CHEMAR's stock to submit an application. Chemar, located in Kielce, is a manufacturer of industrial, power generating, and chemical equipment.

In accordance with article 24 of the Act of Privatization of State Enterprises up to 20% of Chemar's stock shall be offered to management and employees.

In accordance with article 2 of the Resolution of the Council of Ministers no. 86, on establishing reserves of the *State Treasury for reprivatization purposes* of October 4, 1993 (Monitor Polski no. 52, point 482), 5% of the stock will be retained for reprivatization reserve fund.

All potential investors should submit a written application to the below-mentioned Advisor representing the Ministry of Privatization within 7 days of the date of this notice.

Upon receipt of the application potential investors will be required to sign a confidentiality agreement in order to receive an information package on the Company. The package will contain the schedule and guidelines for preparing both a preliminary offer and a final offer *for the purchase of the stock.*

All applications and inquiries relating to the above invitation should be forwarded to:

Ms Anita Doroba
Capital Investment Department
Bank Przemyslowo-Handlowy S.A.
ul. Sw, Tomasza 43, 31-027 Kraków
Tel: (012) 22-07-67, 18-71-13 Fax: (012) 22-08-57

The Ministry of Privatization reserves the right to refuse to enter negotiations, terminate negotiations, or unilaterally change the terms and *conditions of this invitation, or the* information package.

Speedy business tool

Multimedia has been hyped mostly as a provider of news and entertainment rather than a help for business.

But some companies have turned to this combination of voice, pictures and text – using computers, telephones and video – to speed up operations and save costs. Frost & Sullivan, the US market researcher, forecasts a multimedia market in Europe of $3.6bn (£2.5bn) by 1996, with the fastest growth in desktop systems.

One of the first UK companies to use multimedia as a business tool is Colorgraphic, which produces direct marketing and sales promotion leaflets. It turned to this technology to improve communications with agents and customers in continental Europe, especially in Germany and the Netherlands, and so lift exports.

Colorgraphic is the first European user of the Visit (visually interactive technology) system from Canada's Northern Telecom. The UK company's products are all of different designs. Agreeing these with clients can take time, especially if changes are needed. Now, by communicating visually and verbally through Visit and putting designs on screen, the process from design to printing agreement can be completed in hours rather than days.

"Everything we do starts as a reel of white paper but ends as an intricate finished product," says Michael Hunter, chief executive. Colorgraphic wants more foreign customers. "Often, we or they had to hop on a plane. Courier costs were £25,000 a year – air fares cost the same and hotel bills were high. This was about £100,000 and we will save a lot of that."

Colorgraphic, whose main competitors are in Germany, spent £250,000 on Visit and communications technology. "It's much easier to make something clear," says Armin Kleiss, production manager at ECM, its Dutch agent. "We can show what a product is like while we talk about it."

Andrew Fisher

Mainframe reborn

IBM is jumping on the client/server bandwagon by adapting its existing technology, writes Louise Kehoe

In the corporate computing world, the mainframe computer is the symbol of a bygone era; a legacy of the days when the data processing department strictly controlled access to computers housed in a big air-conditioned glass room.

Networks of low-cost personal computers brought democracy to information processing in the 1980s, putting computers at the command of individuals. Yet, as many companies are finding out, managing that democracy is more complicated and expensive than they expected.

Open "client/server" computing has not achieved the nirvana of lower costs and greater efficiencies that the computer industry promised. Instead, companies face continuing problems with incompatibility between computers, difficulty keeping track of corporate data and rising costs for training and systems management.

Fully 80 per cent of total client/server computer costs occur after the initial purchases of hardware and software, according to US-based Gartner Group, a computer industry market research company. A single $3,000 (£2,054) personal computer linked to a client/server network costs about $40,000 over its five-year life cycle when the costs of training, administration, maintenance and other factors are tallied, the researchers estimate.

Even die-hard networking advocates such as Sun Microsystems, the workstation market leader, now recognise the need for some measure of centralised control over distributed computing systems. "You have to manage the network like a mainframe," says Curt Wozniak, Sun's marketing vice-president. He encourages customers to "pull data back into controlled areas".

Stepping into this milieu with a new-found determination to establish itself as a leader in the client/server market, International Business Machines has seen opportunities to bring its mainframe-world expertise to bear on the complex problems of enterprise-wide, client/server computing.

"Implementing client/server [computing] in a real live customer environment has turned out to be rife with problems. And those problems open a very wide door of opportunity for IBM," says Lou Gerstner, IBM chairman and chief executive.

Gerstner's remarks signal a significant change of heart at IBM, the mainframe computer market leader. Rather than minimising the significance of client/server computing, as it has in the past, IBM is finally jumping on the bandwagon.

A critical element of IBM's strategy is to create links between the old world of mainframes and the new world of client/server computing. Last week it introduced a new generation of "large-scale computers" (no longer called mainframes) specifically designed to work as "servers" on networks.

In a radical departure from traditional mainframe designs, the new IBM systems are built on microprocessor chips manufactured using the same semiconductor technology as those found in personal computers. These powerful chips are linked to work in parallel on a computing task, like a fleet of tugs pulling an ocean liner.

The advantages of parallel processing are twofold. Customers can increase the power of a parallel processing system in small increments by adding a few processors, rather than having to purchase expensive mainframe upgrades. Also, because the new IBM parallel systems are based on microprocessor chips, they can be expected to follow similar price decline and performance improvement trends to those seen in the personal computer and workstation segments of the market.

The most important new offerings from IBM are two parallel computing servers built around chips that emulate the brains of the company's traditional mainframe products. The S/390 parallel transaction server and the S/390 parallel query server can run the same software as IBM's traditional mainframe computers, hiding the complexities of parallel processing from users and software developers.

The transaction server is designed for applications such as credit card processing, ticketing and banking. The query server elicits new information from existing data. A company might, for example, mine its customer database for clues to the potential of a product.

The new servers can be coupled to existing IBM mainframe computers so that the new and old machines work together like a single computer, automatically balancing the workload and sharing data.

This facility, which IBM calls the parallel sysplex, is "as significant as any technology we have announced since the introduction of the 360 [the first IBM mainframe] 30 years ago", says Ned Donofrio, IBM vice-president and general manager of the large-scale computing division.

The parallel servers give the mainframe a new lease of life, he explains. With the introduction of a new 10-processor mainframe last week, IBM's line of conventional mainframes may have reached its peak. "We are not sure if we can go to 12 or 14, but we are sure that the way we are scaling [the parallel systems] will enable us to move to almost limitless numbers of microprocessors while preserving all of the programming, all of the skill and the infrastructure that our mainframe customers have built," says Donofrio.

"These systems deliver what customers tell me they want: lower cost, more power and protection of their existing $1 trillion investment in software," he adds.

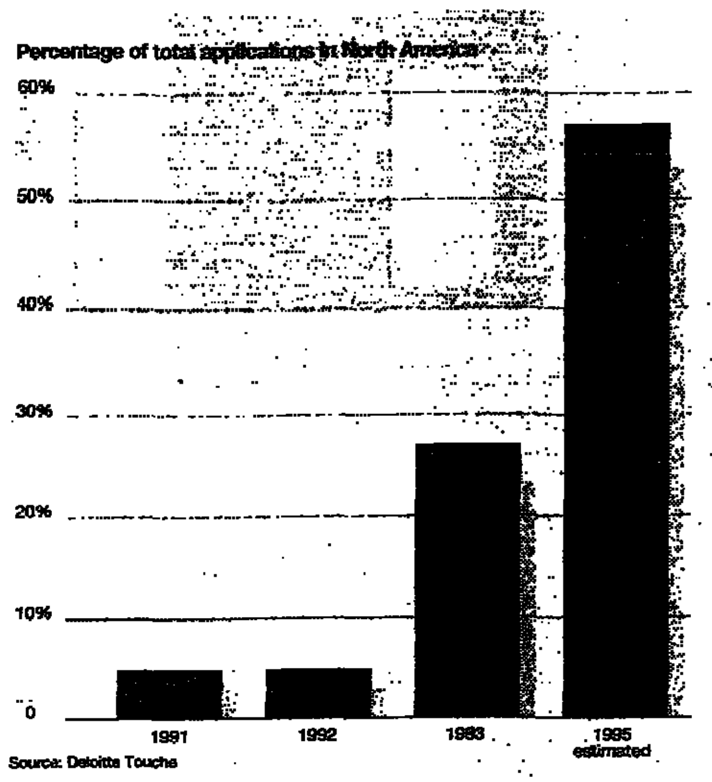
Indeed, the high prices of mainframe hardware and software, along with the need to link different types of computers in a seamless network, have created strong impetus behind the shift to client/server computing. So by reducing mainframe hardware and software prices IBM might aim to slow the trend away from mainframe computers.

Yet IBM is no longer counting on client/server computing being a temporary fad. Instead, it has designed its new parallel processors to link to networks. The company last week announced a new version of its mainframe computer operating system, MVS, with "open" features that will enable mainframes to run the Unix applications favoured in client/server systems.

IBM also introduced a Unix-based "Powerparallel" system, based on the same microprocessor technology that it uses in its latest workstations. The SP2 is an outgrowth of IBM's massively parallel supercomputer, introduced a year ago. The new computer will run "nearly all" of the 10,000 applications programs available for AIX, IBM's version of Unix.

By applying the latest semiconductor and software technologies to large-scale computers, IBM has created a new perspective on the benefits of client/server computing. Rather than killing off mainframe computers, client/server networks may increasingly incorporate mainframe-like features and some mainframe computers.

The rise and rise of client/servers



Source: Deloitte Touche

Technically Speaking

Costly resistance to telecommuting

By Tom Foremski

"Advances in technology make it easier for many companies to convert some of their office staff into telecommuters." They thereby gain a competitive advantage through lower operating costs and more productive staff.

But while technology such as compact desktop computers, E-mail and fax machines makes fitting telecommuters into the office network relatively easy – and cheap video conferencing systems are just around the corner – management attitudes are still stuck in the past.

Jack Nilles, president of California-based management consultants Jalla International and the person who coined the term telecommuter more than 20 years ago, says many managers do not know how to supervise staff unless they can see them.

In telecommuting (or teleworking) employees come into the office one or two days a weekand spend the rest of their time working from home. For companies, there are clear advantages. Supervision of staff is reduced and savings can be made on overheads such as office space and parking space. Happier staff means lower turnover and thus savings from reduced recruitment and training costs. And teleworkers tend to work harder and longer hours when at home. For staff working mainly from home, the benefits are obvious: more productive time with less commuting; lower travelling costs; and control over their own working time.

Companies that can learn to manage teleworkers are thus likely to achieve greater flexibility in their operations. But teleworking should not be seen as simply a more progressive way of working. Moving workers into the home also means transferring the responsibilities of maintaining an office space and certain management functions to the teleworker. Once teleworkers are established, they are just one step nearer the status of independent contractors.

By employing such contractors, companies transfer even more responsibilities to the teleworker – tax payments and, more importantly in the US, individual responsibility for health benefits, a major business cost. Companies also gain greater flexibility in hiring and firing as many teleworking contracts are limited to single projects. Already in the US, temporary workers and independent contractors are the fastest-growing sector of the labour market.

While this growth is mostly among blue-collar jobs, telecommuting technologies are now helping to turn many white-collar and professional workers into independent contractors. Book publishers are a good example of this trend. Many now contract out most of their requirements such as editing, book layout and design to a host of independent contractors.

As the US and Europe lay the foundations for electronic information superhighways, many other companies in different sectors will be able to convert staff roles into independent contractors. Initially, such contractors will be able to earn higher incomes than their office-bound colleagues tied to one employer. But the technology enabling them to work from idyllic countryside locations will result in competition among contractors – and from locations around the world.

In the US, there are several incentives for companies to increase their teleworkers. The recent earthquake in southern California and the damage to its motorways has led to a rise in teleworking in an area that already had a high proportion to begin with.

The US Clean Air Act specifies that companies with more than 100 staff in 11 US states with high air pollution must seek ways of reducing employee car use or face stiff fines. Many companies complain about the increased burden of complying with such regulations. But those that view this as an opportunity to employ more telecommuters will learn valuable lessons on how to manage a mixed workforce. Rival European companies should keep a close eye on what this does to US productivity.

هكذا من الاصل

Close up on Tintoretto

William Packer visits the Accademia and the Guggenheim in Venice

No one is ever short of things to see in Venice, but then why not pile Pelion on Ossa, given the chance? Certainly the current programme of special exhibitions is as strong as ever, quite apart from the remarkable exhibition of architecture at Fiat's Palazzo Grassi, *The Renaissance: from Brunelleschi to Michelangelo* (to be reviewed later).

This, in Venice, is the year of Tintoretto, the 400th anniversary of his death at the age of 76. The Commune di Venezia is marking the moment with wide publicity of itself as the City of Tintoretto, drawing attention to the many works hung in its churches and ancient institutions and, until May 1, showing a group of the religious paintings in the Church of San Bartolomeo, near the Rialto. The principle celebration, however, is of Tintoretto the portrait painter, now on show at the Accademia.

Tintoretto, with Titian, his master, and the somewhat younger Veronese, completes the commanding trio of great artists that forms and dominates our view of Venetian painting through the greater part of the 16th century. Which was the greatest? Titian, who, some would say, in his great old age, was the first modern painter; Veronese, the virtuoso, pittore sovrano di Venezia, as the plaque on his house near San Samuele would have it; or Tintoretto himself, with his driving expressive energy and emotional force? Who would say?

All three of them were portrait painters on the side – and in the middle as well, for with the model used even for the idealised figures of any devotional composition, the donors – sponsors as we would say – required their own personal, if peripheral commemoration. The family kneeling at the sacred throne, one head turned perhaps to look us directly in the eye, is ever poignant and humane.

But the smaller single and private portrait will always bring us closer to the artist himself in his practical working of the image, just as it allows us closer to the surface of the canvas. Here is the artist alone and himself. And what we find here in Tintoretto is a certain crudity and awkwardness, almost a naivety in the immediate drawing and handling that never leaves him. The odd thing is that we find these qualities being not so much overcome as turned to advantage.

Sophistication and an easier naturalism come with experience, but always there will be the commitment and attack, that saving determination to get the mark and thus the image down, to make it real and to make it work. It is moving and inspiring to follow an artist as he moves towards true greatness by sheer force of character. What a pity it is that the two self-portraits, in youth and old age, are not hung side by side. The boy is father to the man.

The short walk beyond San Vio takes us to the late Peggy Guggenheim's Palazzo Venier and into another world and another age. Her collection of modern international art, prime Ernst, Miró, Picasso, Giacometti and the rest, remains the draw it always was, but changes are afoot. It is not that the emphasis is to shift away from the collection as such, with its strong personal flavour, nor should it, ever. But with pressure from visitors continuing to grow, the need for more space, if only to maintain the peculiar character of the place, is undeniable.

The opportunity has been taken to acquire much of the property behind the Guggenheim, over the garden wall. The central portion was taken over some time ago and has already been converted into shop and temporary gallery, with the café to open this summer. The intention is thus to concentrate offices and services, with the old Palazzo returned as much as possible to its old self.

Along with this comes the opportunity to make rather more of temporary exhibitions. Two such are now on show. *Italian Artists' Books in the 20th Century*, already shown at the Museum of Modern Art in New York, is a rich documentary display that makes the useful point that artists everywhere, and not just in Italy, continue to be intrigued by the relation of image to text, and the creative collaboration between artist and writer. Artists represented range from de Chirico to Clemente.

Josef Albers: glass, colour and light is a small but substantial retrospective study. Drawn principally from the holdings of the Josef Albers Foundation in Connecticut, it lays a fresh and proper emphasis on Albers' early development in his years at the Bauhaus in the 1920s and '30s, first at Weimar and then at Dessau. Albers died in 1976 at the age of 88. He moved to America in 1933, where he spent the rest of his life, engaged after 1950 in endless colour variations upon his "Homage to the Square", three simple squares inset in a uniform format. With his post-war reputation resting on this American minimalism, it is useful to be reminded of the European constructivist tradition from which he came, with Klee, Schwitters and Mondrian the most obvious and notable influences.

■ **Jacopo Tintoretto: Portraits: Gallerie dell'Accademia until July 10, then on to Vienna. Sponsors: Hyundai Automobili Italia and Ramazzotti. Josef Albers: Glass, Colour & Light; Peggy Guggenheim Collection, until July 10. Italian Artists' Books in the 20th Century; Peggy Guggenheim Collection, until May 22.**

Portrait of a thirty year old warrior in armour by Tintoretto

Ballet/**Clement Crisp**

Fall River Legend

The story of Lizzie Borden ("Eighty-one things a bright girl can do with an axe") has all the ingredients for tremendous theatre. Wicked stepmother; potential loss of money – Lizzie thought that her father would disinherit her; sexual tension; a final explosion of violence on a stifling day in a repressive community. The mystery of who killed Lizzie's father and stepmother – for Lizzie was acquitted – is no mystery at all, and Agnes de Mille's famous old barn-stormer, *Fall River Legend* rightly presents Lizzie as homicidal. It has now entered the Birmingham Royal Ballet's repertory – I saw it as the BRB Covent Garden season ended on Thursday – and the company serves it up hot and strong.

It is dubious choreographic stuff, but its fustian is astutely judged. Motivation trails its coat throughout; characterisations are blatant, and the dance rarely makes any sense of them. But the story is crackingly good, and the sight of a ballerina clutching an axe can still give a frisson of horror. The reason for this BRB staging is what *Fall River's* purpose originally was: to provide a stunning role for a dramatic ballerina. The ballet was made in 1948 for Nora Kaye, a consummate dance actress with American Ballet Theatre. I saw and was bowled over by her then – as also by Alicia Alonso, who actually gave the first performance – and I think BRB's Marion Tait, the justification for this staging, no less good.

Tait is a dance actress of rare finesse. She has the right "look" – the searching gaze; that sense of a troubled spirit in quest of release – for Lizzie. As with so many of her finest readings – notably in the MacMillan repertory – we are as much moved by the absolute precision of Tait's playing as by her expressive power. She has never given a predictable or mechanical performance: everything is felt, understood, and the dance has been no less honest and subtle. As Lizzie, she takes the stage like a *diva* – the part demands it; Tait can supply it – but she gives purpose to every scene, and makes us forget much of the surrounding choreographic chitchat. Lizzie's anguish, her sense of being victimised, her tremulous eagerness for love and her sudden malicious caprices, are shown with a sharp, nervously precise outline that speaks exactly of the girl's spiritual life.

BRB's artists – Desmond Kelly as the father; Samira Saidi as the mother; Karen Waldie as the Step-mother; Sandra Madgwick as the child Lizzie, and, especially, Joseph Cipolla as the local priest – give a welcome depth to pasteboard characters. Oliver Smith's original design is still splendid; the Morton Gould score a vexation to musical sensibilities. The piece is a vehicle for Tait: she drives it to glory – as did Nora Kaye. No higher praise is possible.

This triple bill also included the company's honourable account of Balanchine's *Serenade* and MacMillan's *Elite Syncopations* – where style could have been more elegantly sparky, but I greatly admired Miyako Yoshida and Joseph Cipolla.

Theatre/**David Murray**

My Night with Reg

The title of Kevin Elyot's new play at the Royal Court's Theatre Upstairs is a barbed joke, for as it turns out almost *everybody* here has had a night with Reg (and enjoyed it thoroughly). Reg has been putting himself about more than his globe-hopping art-dealer lover Daniel ever twigged. But we never meet him: he misses Guy's re-decoration party in scene 1, and by scene 2 he is dead (Aids, of course). Guy's gaggle of gay friends gather there again for Reg's wake, some with related worries in their minds.

Two years on, the third and last scene is sadder still; but Elyot's dialogue never goes flabby, always keeps its cool focus and sympathetic wit. This dark comedy is humane, skilfully economical. Except for young Eric from Lancashire, barman at the local gay pub, Elyot's characters are all some way into middle age, unharried and quite well settled, if variably well-preserved.

As gay plays go, that makes *My Night with Reg* seem uncommonly fresh. I strove dutifully to apply the standard test: if all the relationships were heterosexual instead, would it deliver anything like the same *frissons*? The test was useless, because Elyot's people are too thoroughly rooted in their sexual milieu to be transposable. These are sensible, independent grownups with real-life jobs. They don't go in for luvvie-talk, bitchery or campery; they inhabit no pretend-"special" world that would set them apart.

That is what provides the *frisson*. Only their effusive hugs and kisses when saying hello or goodbye, and their avid gossip about each other's love-lives, stretch the norms of ordinary male conviviality. Even nice, houseproud, frustrated Guy, who is something in advertising, counts as a camp "stereotype" – exquisitely self-deprecating as rendered by David Bamber – merely in the sense that there really are a lot of Guys about.

As the promiscuous old chums who dazzled him at university, John Sessions plays a flamboyant Daniel and Anthony Calf a plausible public-school hero. Not only does he wield a terrific golden-boy smile, but he sustains it through the entire first scene with superhuman stamina. They both come into their own near the end, with an intimate grief which they prefer not to admit sharing.

For cross-class contrast, we have the odd couple of Bernie (Roger Frost) – prissy, unattractive and deeply boring – and his grizzled partner Bennie (Kenneth Macdonald), a randy bus-driver. The maturing of young Eric (Joe Duttine) scene by scene, from hired handyman to welcome guest to ambitious gay publican, makes a bright thread, not least because all these new friends strike him as irretrievably *old*. About such discomfiting facts of life Elyot's play is unblinkingly fair, and very funny.

Why Janáček is out of fashion at home

Czech opera houses are opting for Verdi and the quick buck nowadays, says **Andrew Clark**

It is Monday night in the Moravian city of Brno, where the composer Leoš Janáček lived, worked and died. The municipal theatre which bears his name is presenting a new production of *Kátya Kabanová* but the auditorium is half-empty. The theatre manager says Czech audiences are not interested in Janáček – "they want Verdi, they want spectacle, they want entertainment".

In Prague earlier this season, a new production of *The Makropoulos Case* was taken off the National Theatre's programme after a handful of performances, the last of which attracted just 27 paying customers. At the State Opera, the title role in *Jenůfa* is sung not by a Czech soprano but a Romanian. Neither company has plans for a new Janáček production in the foreseeable future.

While packed houses in London, Paris and New York applaud international casts performing Janáček in a language few understand, the tradition in his own country is dying away. Young Czech conductors and singers are focusing on popular repertoire which will bring them foreign engagements and easy money. Second-rate artists from the West and the former Soviet empire fill the gaps, accelerating the break with the native tradition.

For much of the postwar era, Czech audiences were exposed to Janáček through cheap tickets and factory outings. Now they spend their free time watching television or nurturing private businesses. "We know in advance that Janáček will be empty and Verdi will be full," observes Tibor Varga, Brno's opera director. "We want to perform Janáček but if we carried on playing to empty houses, the city would cut our subsidy. Under Communism, the people had no ideas, no problems. The unions bought the tickets and we had busloads from everywhere. It didn't matter what we played, it was an outing for them. The public is different now. They don't see art as a spiritual outlet, they no longer get free tickets. They want a show."

Janáček scholars from around the world still flock to Brno to study the collection of original manuscripts at the Moravian Museum. This is where Charles Mackerras discovered the orchestral interludes for *Kátya* and the original score of *Jenufa*, which had been ignored by Czech conductors; where British Janáček expert John Tyrrell selected texts for his recently-published translations of the composer's correspondence with Kamila Stösslova the woman who inspired his Indian summer of creativity.

'Instead of building for the future, Czech theatres are destroying the link with the past'

But few people make the journey to Brno in the hope of hearing a well-preserved performing tradition. The new shoe-string production of *Kátya* offers one classic piece of casting – the veteran bass Richard Novák as Dikoy – as well as some of the clipped Moravian song-speech which informed Janáček's compositional style. But there is little indication that Brno was once a beacon of Janáček interpretation, long before his music became familiar in the West.

When Janáček died in 1928, he left a group of interpreters with an instinctive understanding of his work – men like Břetislav Bakala, Václav Talich, Zdeněk Chalabala and Jaroslav Vogel. They in turn spawned a postwar generation of interpreters. In Brno, František Jílek forged new ground with a cycle of Janáček operas in 1958, repeated in 1978 – after which, in the words of Brno musicologist Alěna Nemcová "things began to slide. Conductors today are no longer willing to devote the time to it, to work with singers on it. No-one is being encouraged to carry forward the tradition."

Of the postwar generation of Janáček specialists, only Bohumil Gregor is still alive and active. Like several of his contemporaries, he was steeped in Janáček by the time he reached Prague, because he had served a long apprenticeship in the provinces. He bemoans the fact that this kind of lengthy preparation is no longer possible, that Czech theatres have given themselves over to fail-safe repertoire like *Aida*, *Madama Butterfly* and *The Bartered Bride*.

"They live from day to day," comments Gregor, whose Janáček performances during the National Theatre's visit to the 1964 Edinburgh Festival won him an international reputation. "They want to do it the quick way, the cheap way – art as a commercial commodity, managements following rather than leading. Instead of building for the future, they're destroying the link with the past."

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight: Yevgeny Svetlanov conducts Hague Philharmonic Orchestra in works by Stravinsky and Brahms. Tomorrow, Thurs, Fri: Riccardo Chailly conducts Royal Concertgebouw Orchestra in Mahler's Seventh Symphony. Thurs, Sat (Kleine Zaal): Carmina Quartet. Sat afternoon: Frans Brüggen conducts Radio Chamber Orchestra in Mozart and Beethoven, with piano soloist Maria Tipo. Sun afternoon: Jan Willem de Friend conducts Combattimento Consort in works by Zelenka. Sun evening: Radu Lupu piano recital. Next Mon, Tues: Kurt Masur conducts Leipzig Gewandhaus Orchestra in Mendelssohn, Schumann and Schubert, with piano soloist Martha Argerich (24-hour information service 020-675 4411 ticket reservations 020-671 8345)
Beurs van Berlage Fri, Sat: Philippe Entremont conducts Netherlands Chamber Orchestra in works by Ravel, Lutoslawski and Loevendie. Sun: Isabelle van Keulen violin recital (020-627 0466)
Muziektheater Thurs, Sun afternoon: Edo de Waart conducts Harry Kupfer's production of Salome, with Josephine Barstow and John Bröcheler (in repertory till May 3). Fri, Sat, Sun evening: Nederlands Dans Theater (020-625 5455)

■ BASLE

Stadtcasino Tomorrow, Thurs: Nello Santi conducts Basle Radio Symphony Orchestra in works by Wagner, Krommer and Tchaikovsky, with oboe soloist Christian Schmitt (061-272 1176)

■ BRUSSELS

Monnaie A new production of Peter Grimes opens next Tues, staged by Willy Decker and conducted by Antonio Pappano, with a cast headed by William Cochran, Susan Chilcott and Gregory Yurisich. Repeated April 22, 24, 27, 30, May 3, 5, 8, 10 (02-218 1211)

■ CHICAGO

Valery Gergiev, artistic director of the Kirov Opera, conducts Chicago Symphony Orchestra at Orchestra Hall on Wed, Thurs, Fri afternoon, Sat and Sun. The programme consists of works by Musorgsky, Prokofiev, Tchaikovsky and Borodin (312-435 6666)

■ GENEVA

Grand Théâtre Tonight: Marjana Lipovsek song recital. Tomorrow, Fri, Sun and next Tues: John Nelson conducts concert performances of Berlioz's Béatrice et Bénédict, with cast led by Liliane Bizineche, Alison Hagley and Kurt Streit (022-311 2311)
Théâtre de Carouge Tonight: first night of Ronald Harwood's play Another Time (Temps contre Temps), in a production by Théâtre de l'Atelier de Paris. Daily except Mon till April 24 (022-343 4343)

■ GHENT

de Vlaamse Opera Sun: Silvio Varviso conducts first of four performances of Hans Neugebauer's production of Lohengrin, with cast led by Gösta Winbergh, Andrea Trauboth, Oskar Hillebrandt and Ruthild Engert (091-225 2425)

■ THE HAGUE

Dr Anton Philipszaal Thurs and Fri: Yevgeny Svetlanov conducts Hague Philharmonic Orchestra in Beethoven's Third Piano Concerto (Michael Roll) and Sixth Symphony (070-360 9810)

■ LAUSANNE

Théâtre Municipal José van Dam sings his first Scarpia in a new production of Tosca opening on Sun, conducted by Maurizio Arena, with Adriana Morelli as Tosca and Neil Rosenshein as Cavaradossi. Repeated April 20, 23, 26, 28 (021-312 6433)

■ VIENNA

MUSIC

Staatsoper Tonight, next Mon: Il barbiere di Siviglia. Tomorrow, Sun: Entführung. Thurs: Kenneth MacMillan's ballet Manon. Fri: L'Italiana in Algeri. Sat: Cav and Pag (51444 2955)
Musikverein Tonight: Sergiu Celibidache conducts Munich Philharmonic Orchestra in Bruckner's Eighth Symphony. Tonight, Thurs (Brahms Saal): Peter Schreier song recital. Tomorrow, Thurs, Fri, Sat: Andrew Davis conducts Vienna Symphony Orchestra in works by Berg and Bruckner, with soprano Yvonne Kenny. Sun: Lithuanian Chamber Orchestra plays Haydn, Mozart and Tchaikovsky. Next Tues and Sun: Christa Ludwig farewell recitals (505 8190)
Konzerthaus The Spring Festival runs till May 8 and focuses on music from the Czech Republic. Tomorrow: Prazak Quartet plays string quartets by Smetana, Novak and Dvorak. Thurs: Horia Andreescu conducts Austrian Radio Symphony Orchestra and Arnold Schoenberg Chorus in concert performance of Janacek's The Adventures of Mr Broucek, with cast headed by Heinz Zednik. Fri: Igor Oistrakh violin recital. Sun: Gerd Albrecht conducts Czech Philharmonic Orchestra in works by Martinu, Viktor Ullmann and Brahms, with piano soloist Igor Ardasef. Mon: Dawn Upshaw song recital (712 1211)

THEATRE

Repertory at the Burgtheater includes Brecht's Caucasian Chalk Circle directed by Ruth Berghaus, Ibsen's Peer Gynt directed by Claus Peymann and a revival of Grillparzer's dramatic poem Das Goldene Vlies, directed by Hans Neuenfels (51444 2959). Theater in der Josefstadt has a new production of John Osborne's The Entertainer (402 5127). Vienna's English Theatre has a new production of Alan Ayckbourn's Relatively Speaking (Josefsgasse 12, 402 1260). Raimund Theater has a German-language version of the Kander and Ebb musical Kiss of the Spider Woman (Wien-Ticket 58885)

■ WASHINGTON

MUSIC/DANCE

● Britain's Royal Ballet presents Anthony Dowell's production of Sleeping Beauty tonight, tomorrow and Thurs at Kennedy Center Opera House, followed on Fri, Sat and Sun by an Ashton double bill (202-467 4600)
● Joshua Bell gives a violin recital on Sun afternoon at Kennedy Center Concert Hall (202-467 4600)
● David Zinman conducts Baltimore Symphony Orchestra on Thurs and Fri at Baltimore's Joseph Meyerhoff Symphony Hall in works by Gordon Cyr, Sibelius and Shostakovich, with violin soloist Silvia Marcovici (410-783 8000)

THEATRE

● The Revengers Comedies: Douglas Wager directs Alan Ayckbourn's two-part suspense farce at Arena Stage in the Fichandler. Till June 12 (202-488 3300)
● Forever Ivor: a romantic musical journey back to the early 20th century, written by Nick Olcott and directed by John MacDonald for Interact Theater Company. Till May 1 (202-529 2084)
● Standup Shakespeare: a musical revue setting the entire works of the Bard to Dixieland jazz, baroque and gospel-rock music. April 15-23 at Folger Shakespeare Library (202-544 7077)
● Abundance: Beth Henly's comedy about two mail-order brides in the Wild West. Till April 23 at Signature Theater (703-820 9771)

■ ZURICH

Opernhaus Tonight: L'Italiana in Algeri with Vesselina Kasarova and Simone Alaimo. Tomorrow: Die Zauberflöte. Thurs and Sat: Ariadne auf Naxos with Edita Gruberova as Zerbinetta. Sun: Rafael Frühbeck de Burgos conducts Ruth Berghaus' new production of Otello, with cast headed by Frederic Kalt and Daniela Dessi. April 23: first night of Andrei Serban's new production of Adriana Lecouvreur, with Mara Zampieri and Neil Shicoff (01-262 0909)
Tonhalle Tonight, tomorrow, Thurs, Fri: Claus Peter Flor conducts Tonhalle Orchestra and Chorus in Mozart's Missa brevis K194 and Orff's Carmina Burana (01-261 1600)
Schauspielhaus Repertory includes David Mamet's Oleanna, Dürrenmatt's The Physicist and a play by early 20th century Viennese dramatist Hermann Broch, entitled Die Entsühnung (01-221 2283)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
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Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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WEDNESDAY
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NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
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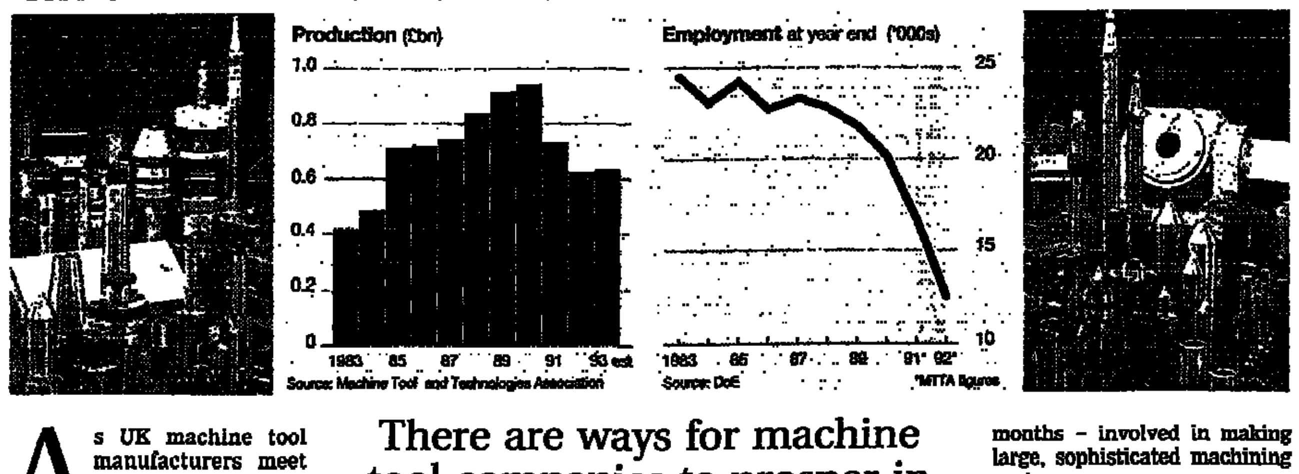
UK machine tools: cut down to size



Adapt, rejig and survive

There are ways for machine tool companies to prosper in the UK, says **Andrew Baxter**

As UK machine tool manufacturers meet this week at the Metcut '94 exhibition in Birmingham - a show intended to prove that, after two decade of decline and three years of recession, the industry is still alive - there will be a noticeable absentee.

Missing will be FMT, the *machine tool company* based in Brighton, Sussex, which since the 1950s has absorbed companies that once employed thousands of people. In February it called in the receivers. Last month US competitor, Giddings & Lewis, bought most of FMT's spares and service business, brand names and intellectual rights - and took on just 30 of FMT's employees.

G&L has yet to decide whether to continue making FMT machines. If - as is widely expected - it does not, the deal would mark the end of production of large machining centres - big, multi-function machines which drill and cut metal components - by UK-owned companies.

Whatever happens, the collapse of FMT seems to make a mockery of the "show of strength" slogan chosen by the Machine Tool Technologies Association for this week's event. "It's a disaster - who's left at the high-tech end of the industry?" asks one observer.

FMT's demise looks like another example of a UK machine tool company on the wane, joining names such as Alfred Herbert, the Coventry-based company, which was once Europe's largest producer but which closed in 1983.

Since the 1970s, UK machine tool production has slumped, falling in value from £1.4bn in 1970 to £456m in 1992, in constant 1985 prices. The collapse has been due partly to the decline of UK manufacturing. But it also reflects the success of overseas machine tool companies, particularly from Germany and Japan: imports have risen to more than 50 per cent of UK machine tool consumption, and the market is fiercely competitive.

Typically, British machine tool companies have contracted severely - or are subsidiaries of foreign companies, such as Bridgeport and Cincinnati Milacron of the US, and Yamazaki of Japan. The industry is scattered around 120 manufacturing sites in the UK.

To survive, many smaller machine tool manufacturers have avoided mass markets dominated by Japanese producers and exploited niches: in sophisticated technology such as laser-cutting; or in under-exploited markets such as manual, non-computerised machines; or in accessories.

One of the best examples of the niche approach is Renishaw of Gloucestershire, which last month reported half-year pre-tax profits of £2.81m on sales of £23.3m. It has become a world leader in tiny measurement probes, which are attached to machine tools to check they are cutting components correctly.

Larger companies can still compete with foreign competition. For instance, 600 Group this week launches its new CNC (computer numerical control) lathe, aimed at small engineering companies. However, it has gone through a a painful restructuring of its lathe manufacturing operation, including the closure in 1992 of its Colchester plant which employed 280 people.

But FMT was different. Though small, it tried to stay in the mainstream, with products competing directly with the large machining centres built by Japanese, continental European and US companies.

FMT's slide into receivership dates from 1990, when Iraq invaded Kuwait and the UK Department of Trade and Industry refused to renew export licences to Iraq, costing the company £1m in lost orders. Then came the UK recession, which further weakened its order book.

In response to these pressures, FMT drew up a two-pronged business strategy: moving from Brighton to a smaller site and forging joint ventures to exploit growth opportunities in China and India. To succeed financially, the proposals depended on securing planning permission to sell the Brighton site for use by retailers.

But when in February it became clear that there would be delays before that permission was granted, FMT's bank, the Midland, cut the company's borrowing limit.

The lesson for the industry is that it is hard for small British-owned machine tool builders to survive in the mainstream market - and it is even more difficult without the financial backing of larger, international groups. FMT had annual sales of just £7m when it called in the receivers. Financing was crucial, because of the long lead-times - as much as 18 months - involved in making large, sophisticated machining centres.

Whatever the competitive weaknesses of FMT, however, managers of machine tool companies - as well as of banks - would be wrong to be too gloomy about the prospects for companies that have adapted to a harsh trading environment.

According to American Machinist magazine, the UK remains the world's eighth-biggest machine tool producer. There are still a "good number of innovative, reasonably healthy companies around to maintain our market position", says Mr Simon Brown, director general of the Machine Tool Technologies Association.

Though many machine tool manufacturers have cut output, there are signs that investment in product development has been spared. For instance, Jones & Shipman, the Leicester-based grinding machine producer, has subcontracted out almost all of the components of its tools, allowing it to concentrate on designing, assembling and marketing.

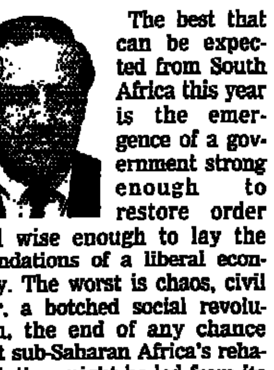
At the same time, the UK's relatively low inflation and interest rates, along with relatively low manufacturing costs, have enhanced the industry's competitiveness in overseas markets.

Activity in the world machine tool market has also picked up. "We are experiencing greater demand from markets in the UK, the US and the Far East. People are investing in new machines again," says Mr Mike Colvin, export sales and marketing manager at Cincinnati Milacron UK.

Too late, unfortunately, for FMT. It seems condemned to become another name on a long list of machine tool companies that did not realise soon enough that, in a competitive industry, strategies for survival have to be designed with as much precision and thought as machine tools themselves.

Joe Rogaly

The prisoner's dilemma



The best that can be expected from South Africa this year is the emergence of a government strong enough to restore order and wise enough to lay the foundations of a liberal economy. The worst is chaos, civil war, a botched social revolution, the end of any chance that sub-Saharan Africa's rehabilitation might be led from its southern tip.

The first of this pair of anticipations is philosophically improper. It says nothing of democracy, or human rights, or cutting a deal with Inkatha. It implies the emergence of an over-mighty government such as that of Malaysia or Singapore. It suggests autocracy: a controlled, censored, or obedient media; an absence of those civic freedoms in which the north Atlantic countries luxuriate; an ominous willingness to deploy the security forces wherever necessary.

Is that really the *best* that years of struggle against apartheid is destined to achieve? Probably. This foreboding is expressed without relish. Nobody, least of all those of us privileged to enjoy something better, should wish such a fate on post-apartheid South Africa. The world's hope for the republic, the goal to which its friends should assist it to strive, must be that a peaceful, open, democratic polity emerges as the "new South Africa". Many intelligent, decent South Africans clearly harbour such a vision. Pray that they are right. It is, however impossible to maintain the fiction that such a fairy-tale ending is imminent.

For a start, the received wisdom among those close to the affairs of the republic has been that the appalling bloodshed, the killings of supporters of one party by another, can only be stopped by a "crackdown". This proposition has been argued with increasing confidence over the past year. The mailed fist will be visible before the government due to be elected at the end of this month has tidied up the crumbs left behind after the celebration banquets. There will be no doubt about what to do. South Africa has had years of practice at "crackdowns", in which states of emergency are declared, "troublemakers" are arrested and detained, and the press is censored. The first step, the declaration of an emergency, has already been taken in kwaZulu.

A long-unanswered question has been whether the white-led security forces would take orders from a black-led administration. The signs are mixed, but encouraging for those who believe in civilian control of armed forces. It is not clear that the white-officered South African police (the rank and file is mostly black) are reconciled to the change of government. They do, however, know where their pay comes from. Most of them are expected to obey their new political masters. The S.A. Defence Force has shown that it will take orders from the mouth of Mr F.W de Klerk, even when the president of the African National Congress, Mr Nelson Mandela, is visibly pulling the strings. Thus were lesser tribal homelands such as Bophutatswana and Ciskei brought into line. So, if need be, will kwaZulu be tackled.

It is impossible to maintain the fiction that a fairy-tale ending is imminent in South Africa

This time the order will be given by Mr Mandela, as the new president. When I was growing up in Johannesburg the ANC was the embodiment of non-racial, liberal, democratic virtue. The South African Communist party, its close ally, was the only white-led political organisation that could be wholly relied upon to support black aspirations. Others in the "congress movement", represented Indians and mixed-race "coloureds". Liberation from apartheid was the goal that united all such groupings. If you believed that that was an overriding necessity, your support for them was unwavering.

It is different today. I share the global admiration for Mr Mandela. The Nobel prize for peace sits comfortably upon his distinguished shoulders. It does, however, look as if he may be destined to crown his lifetime's achievement, the overthrow of apartheid, by slamming political opponents into the very gaols from which he and other ANC leaders were so recently released. Since politics and murder are intertwined in parts of South Africa, he may be said to have little option. That does not detract from the bitter irony of what fate appears to have in store for him.

South Africa cannot afford a provincial war, as in Katanga, Biafra or Angola. The ANC might try harder for a political settlement with Chief Mangosuthu Buthelezi, chief minister of kwaZulu, but it may be that the trick is not possible. Mediation will only succeed if both sides are ready to agree. But Chief Buthelezi, the darling of the dewy-eyed anti-communist right, is not a man anyone can easily do business with. The ANC clearly seeks centralised power over all the territory of the republic. The ANC assumption must be that the army, the most powerful in Africa, could quell a rebellion on its home ground. The elephant, as Mr Mandela has taken to calling his party, is in rampant mood.

It would be comforting to stand aside from these hard realities and cry out for justice. The truth is that no clear road to a just settlement exists. South Africa will fail absolutely if there is no economic growth. The economy cannot prosper if there is chaos. The imposition of order by the ANC is thus likely to be a painful prerequisite for a resumption of inward investment, and a resurgence of the economy. Even that would not suffice. Only the free market, the proven stimulator of capitalist energy, can ensure that growth is sufficiently rapid to enable the ANC to keep its election promises.

Outsiders can read recent ANC statements to mean that South Africa's new masters have begun to understand this. Mr de Klerk's National party formerly prospered by creating state-financed jobs for Afrikaners. Now it appears to have become a late convert to the merits of private finance. The National party may win as much as a fifth of the vote, perhaps even a quarter. That is not enough to temper the demands of the ANC. It might be sufficient to be useful if Mr Mandela perceives the value of familiar faces in important economic posts. A post-election alliance with Mr de Klerk could produce *two* Nobel peace prize winners' signatures at the foot of orders to the security forces to "pacify" troublespots. Together the old gaoler and his old prisoner might avert the disintegration of their country. They might also reassure potential investors, if Africa's luck turns.

LETTERS TO THE EDITOR

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Gradualism has proved ineffective in Russia

From Professor Anders Aslund.

Sir, Remarkable things are happening in the Russian economy. Monthly inflation has fallen from 22 per cent in January to 9 per cent in March, while industrial production fell by 24 per cent in the first quarter of 1994 in comparison with the first quarter of 1993. This is a severe stabilisation shock.

It is caused by policies introduced by Boris Fyodorov, the former finance minister, last October after the dissolution of the Russian parliament. He abolished subsidised credits and raised the refinance rate to 17.5 per cent a month, that is 592 per cent a year, though it is wrongly cited by the Russian authorities as 210 per cent a year. He kept the budget deficit at 9 per cent of gross domestic product.

A little noticed fact is that Viktor Chernomyrdin, the prime minister, contrary to his public statements, has maintained Fyodorov's policy. Last month, Russia had a positive real interest rate of 9 per cent a month, or 180 per cent a year, by far the highest in the world. Therefore inflation falls so sharply.

However, a macroeconomic stabilisation driven only by monetary policy with a relatively weak budgetary policy is both socially costly and difficult to sustain. Tax revenues are collapsing because of the tough monetary policy.

Therefore, Professor Jeffrey Sachs (Personal view, March 31) is right in arguing for a more balanced, effective and humane stabilisation programme with substantial and timely Western support.

Professor Padma Desai (Letters, April 6) does not understand that the prime minister, Viktor Chernomyrdin, is delivering an extraordinary shock after too much unintended gradualism. Unlike Desai, he has learnt that gradualism has proved ineffective.

Anders Aslund,
professor,
Stockholm School of Economics,
Sweden

Wrong line on wages

From Mr Barry Leathwood.

Sir, Your leader, "The last board" (April 8), suggests a substitute mechanism to the Agricultural Wages Board which could be enforced by ejection from the National Farmers Union. The NFU has enough trouble keeping its own membership and certainly would be in no position to discipline those who do not toe the line.

You also suggest it would be unfair for the workers to feel the pain of deregulation before the farmers have to take the medicine and, in doing so, assume there is equity between them.

Thousands of workers and their families live on the margins of poverty, many in tied cottages in isolated areas, while their employers receive subsidies from the public purse greater than the total wage bill. Where is the equity here?

More than 99.7 per cent of those consulted by the government, including employers, called for the retention of the boards. Surely it makes more sense to retain a system which, though not perfect, is supported by both sides of industry.

Barry Leathwood,
national secretary,
Transport and General Workers Union,
Transport House,
Smith Square,
Westminster,
London SW1P 3JB

Poor view

From Mr Mark Phillips.

Sir, Your obituary of Kurt Cobain (Arts, April 11) was offensively insensitive to the death of a 27-year-old man with a young family. Perhaps the choice he made was wrong, not as evidence of weak character, but because of what he had created and could have produced.

Mark Phillips,
200 West 15th Street,
New York, NY 10011, US

Dominant force in the bond markets

From Mr Mark Brown.

Sir, John Plender ("Lull before the battle resumes", April 9/10) argues that, if the dollar remains weak, European bond markets will be able to decouple from the US Treasury market. This view is based on the proposition that a weak dollar reflects outflows of long-term capital from the US into European markets.

This may be the case, but the valuation effects of changes in the value of the dollar works the other way and, at the present time, would seem to be the more dominant force. When the price of dollar assets falls, everything else equal, the price of non-dollar assets will be forced to fall in line to maintain their relative attractiveness. A rise in the dollar, however, makes dollar assets look more expensive to non-dollar investors. Hence, if the dollar rises while the local price of dollar assets falls, the foreign currency price of dollar assets remains the same and there is no need for the price of non-dollar assets to change.

In practice, a rising dollar is another way of saying that some decoupling of US and European markets is warranted by economic fundamentals, say because of changing interest rate differentials. Since the first rise in US interest rates in early February, European markets have suffered from the fall-out in the US because the dollar did not rise as was generally expected. In the last couple of weeks, however, the dollar has started to strengthen and some decoupling has taken place.

Mark Brown,
head of strategy and economics,
Hoare Govett Securities,
4 Broadgate, London EC2M 7LE

Where Israel is important to UK's export efforts

From Ms Helen Davis.

Sir, Peter Norman's excellent article on the progress of the Israeli economy ("Knocked about but unbowed," April 5) failed to mention one important dimension: the remarkable growth of Britain's trade relations with this market.

Last year, Britain's visible exports exceeded £850m, an unprecedented 50 per cent increase over the previous year, making Israel Britain's 24th-largest export market. So far this year, growth in exports has increased by a further 40 per cent and now averages £90m a month.

This growth has occurred almost exclusively in capital equipment and manufactured goods, areas where Britain must focus its attention in order to consolidate economic recovery. Israel's sales to Britain are also growing and Britain is currently its second-largest customer after the US. This year, bilateral trade could exceed £3bn.

Israel will import $20bn worth of goods this year and export $15bn, and Britain's share is a healthy 9.5 per cent of this market.

The effects of the Arab trade boycott continue to be felt in spite of the peace process, yet it seems that British exporters are increasingly taking advantage of this vital and innovative market.

Helen Davis,
director, Britain Israel Public Affairs Centre,
21-22 Great Sutton Street,
London, EC1V 0DN

Conflicting interests if BAe articles are changed

From Mr Noel Falconer.

Sir, I rejoice at the first flight of the British Eurofighter.

I wonder if it will be produced - and worry for British Aerospace if it isn't. For there is no fall-back, because of its cost, which is appalling, notwithstanding the Eurofighter's undoubted excellence.

The project cost is admitted as £33bn, of which £11bn is R&D. That leaves £22bn to build 453 fighters - £50m each, for production only, more if the UK has to go it alone, more yet if the RAF cuts its order for 250, worth £12.5bn, a quarter of the public sector borrowing requirement deficit.

Neither the UK nor Germany, Italy, or Spain is committed to its construction, so securing national and international agreement for it must involve a struggle.

Consequently, at this of all junctures, BAe needs the most influential leadership possible. A non-executive American chairman, hired for whatever tiny part of Bob Bauman's year £50,000 buys, is the opposite of what is essential. Why, in any event, is John Cahill being ousted when, less than halfway through his term and with his task incomplete, he has lifted the shares fourfold?

The company's articles require that the BAe chairman be British, for the sound reason that the head of the prime armourer of our nation is privy to our deepest secrets. Yes, America long stood with us against the Russian hegemony; but the Soviet Union has fragmented and, according to Pitt the Younger, "nations have no friends, only interests". Interests that are diverging.

Requirements conflict: most obviously, America wants to sell its aeroplanes in preference to BAe's, and vice versa. Mr Bauman would have to be disloyal either to his country or to the organisation he has been invited to lead.

I beg shareholders concerned for the security of the nation, and for the future of their company, to oppose the enabling amendment of its Articles.

Noel Falconer,
223 Bramhall Moor Lane,
Hazel Grove,
Stockport SK7 5JL

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FINANCIAL TIMES
COMPANIES & MARKETS

 Tuesday April 12 1994

IN BRIEF

Alcatel and Pirelli in Stet sale talks

Alcatel Alsthom, the French telecommunications, energy and transport company, is planning to join forces with Pirelli, the Italian tyres and cables manufacturer, to participate in the privatisation of Stet, Italy's state-owned telecommunications group. Page 20

VW talks over Skoda continue
Talks in Prague between Mr Ferdinand Piëch, Volkswagen chairman, and Mr Vladimir Dlouhy, the Czech minister for trade and industry, failed to resolve differences over the future of Skoda, the carmaker. Page 23

Brazil's float pays off
When investors snapped up shares in BR Distribuidora they were buying into Brazil's largest petrol distributor and a company widely regarded as the best-run subsidiary of Petrobrás, the state-controlled oil company. Page 22

NZ meat plants for sale
New Zealand's two most modern meat processing plants – which lie idle following the collapse of the Fortex group – are to be offered for sale on the international market. Page 24

UK groups aim for east success
Hanson is to set up in Hong Kong, Virgin Megastores are to appear in Hong Kong and China, and a host of UK companies have identified the fastest growing economic zones of the 1990s as their primary target for the 1990s. Page 28

Aer Lingus keeps its hopes in the air
Aer Lingus is banking on a new fleet of European Airbus A330 twin-engine widebody airliners to help return its loss-making transatlantic routes to profit this year. Page 27

B&J gets what everyone wants
The millionaire couple who created What Everyone Wants, the UK discounting chain owned by Amber Day, has come to the rescue of rival Brown & Jackson. Page 26

Copenhagen disappointment
The first trading day of shares in the Copenhagen Airport privatisation issue was a disappointment to investors. The fate of the airport issue was watched with special interest because of the Tele Danmark privatisation issue, which is currently on offer. Back Page

Mixed emotions on Peregrine Investments
If the brash and aggressive merchant banking style of the 1980s survives anywhere, then it is in Hong Kong. And one bank which represents the style best is Peregrine Investments, the brokerage Hong Kong's financial community envies and likes to hate. Page 24

Wood pulp producers push prices
North American and European wood pulp producers are taking advantage of unexpectedly strong paper markets to push through another hefty price increase. Page 32
Jefferson Smurfit, one of the US's biggest recycled newsprint and packaging producers, plans an ambitious $2bn recapitalisation. Page 23

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Berliner Kraft	299	+	5.5
Colonia Konzn Pf	930	+	60
Horten	250	+	7
Metallgesellschaft	226.5	+	6.5
Porsche	950	+	25
Zanders Feinpp	235	+	10
NEW YORK ($)			
Rises			
BankAmerica	42	+	1¼
Chrysler	52¾	+	1⅛
Johnson & Jnsn	38¾	+	2⅛
Nationsbank	51½	+	2⅛
US Surgical	17⅞	+	1
Falls			
Marvel Ent	17⅞	–	1⅜
PARIS (FFr)			
Rises			
Bongrain	3385	+	100
Cr Fonc France	1220	+	37
Vallourec	307	+	12
Falls			
GTM-Entrepose	444	–	22
Gaumont (Socié)	877	–	33
SLIC	886	–	25
TOKYO (Yen)			
Rises			
Dai Tokyo F&M	792	+	50
Fudo Constn	868	+	63
Nachi Fujikoshi	427	+	25
Sumitomo Light	390	+	27
Tsubakim Chain	566	+	36
Falls			
Central Glass	393	–	17

New York prices at 12.30.

LONDON (Pence)			
Rises			
Acorn Computer	84	+	9
Anglo-Eastern	79	+	3½
Brown Jackson	4½	+	1½
Dickie (J)	159	+	9
Dinkie Heel	45	+	6
HSBC (75p shs)	780	+	28
Invesco	178	+	11
Jessups	98	+	8
Land Sec	657	+	22
Pittards	70	+	10
Regent Corp	37½	+	3
Serco	307	+	22
Shanks McEwan	98	+	6
Storm	18½	+	3
Trafficmaster	220	+	15
Unipalm	140	+	13
Wellman	31	+	2¼
Whitbread (G)	196	+	11
Falls			
Betterware	130	–	5
Billiton	590	–	39
FR Group	265	–	11
OS Hldgs	228	–	7
Virtuality	259	–	11
Yorks-Tyne T TV	294	–	15

International task force tackles issue of disclosing credit risk to regulators in complex markets

Bankers propose derivatives guidelines

By Philip Coggan, Economics Correspondent

A group of leading bankers will shortly produce a new framework for the disclosure to regulators of credit risk in the derivatives markets. The framework, which should be finalised within two months, will require banks and securities houses to break down their exposure in the derivatives markets by counterparty and by type of instrument.

The growth of derivatives products, such as futures and options, has caused concern that banks may not be fully aware of the risks involved in dealing in these complex markets. The $1bn losses incurred last year by the German oils and metals company Metallgesellschaft in oil derivatives heightened fears that such losses might cause a breakdown in the market.

Last year, Mr Alexandre Lamfalussy, then general manager of the Bank for International Settlements, called for the drawing up of international standards on risk disclosure for banks dealing in derivatives. Mr Lamfalussy said that derivatives had reduced the transparency of bank balance sheets and an International Monetary Fund study said derivatives had "made it extremely difficult" for regulators to assess the risk of default in the system.

The new proposals have been drawn up by 15 of the world's largest players in the derivatives market. They are members of a task force set up by the Institute of International Finance, a Washington-based research and lobbying group financed by 170-plus member banks from more than 40 countries.

The task force, formed last autumn, has already discussed its work informally with regulators. Mr Charles Dallara, managing director of the institute, said regulators had given "an informal welcome to our efforts and think we are headed in the right direction".

Under the proposed framework, regulators will receive quarterly reports from banks and securities houses. It is hoped the system will allow them to spot when banking groups have become over-exposed to one particular counterparty.

Once the details of the new framework have been agreed by task force members, Mr Dallara will talk to regulators about putting the proposals into practice. While banks will not have a legal requirement to use the new framework to report their credit risk, it is hoped that, if the leading players use the system, other market participants will fall into line.

The task force's proposals deal only with credit risk, the danger that a counterparty will fail to meet its debts. The topic of market risk – the danger that sharp price moves may undermine the financial position of a market participant – was not examined. However, Mr Dallara said the institute hoped the task force would move on to deal with that question as well.

Forte and Accor do battle over Meridien Hotels

By John Ridding in Paris and Michael Skapinker in London

Accor, the French travel group, and Forte, the UK hotels group, are vying for control of the Meridien Hotels chain, owned by Air France, the loss-making state-owned airline.

Kempinski, the German group, has also expressed interest in acquiring the luxury hotels business.

The offer period for bids for the French hotel group closed last night and a decision is expected to be announced following an Air France board meeting on April 28. Air France, which holds a 57 per cent stake in the Meridien chain, is seeking to sell all or part of its holding in the hotel operation as part of a restructuring package. The airline, which lost an estimated FFr7.5bn last year, has debts of about FFr38bn.

Officials at Air France and the prospective purchasers declined to comment on the terms of their offers. But Forte is thought to have made the highest bid with an offer that values Meridien at about FFr1.8bn ($300m). As it is not yet clear what percentage of Meridien will be sold, the eventual cost of a successful Forte bid could be considerably less.

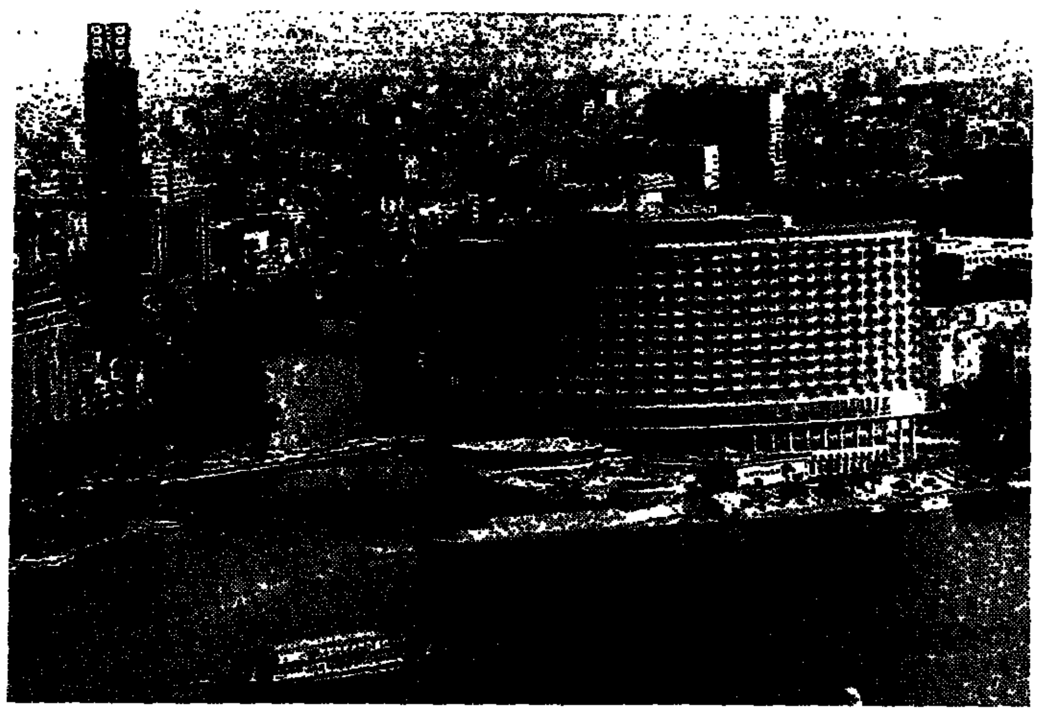
Forte earlier this year failed in its attempt to gain control of Ciga, the Italian luxury hotel group. ITT Sheraton, of the US, topped Forte's £270m ($394m) bid for Ciga with an offer of L900bn ($548m).

Accor, which is seeking to merge its luxury Sofitel chain with Meridien's 58 hotels, is thought to have made a cash offer for 40 per cent of the group, which values the whole of Meridien at about FFr1.4bn. Industry analysts in Paris said Accor may have to raise new capital to finance such a deal.

Accor's proposal is also thought to emphasise the benefits to Air France that could flow from wider ticket distribution through its travel agency chain, and from the combination of Accor's business travel activities with those of Carlson, of the US.

Industry observers in Paris said that Accor provided the means to keep Meridien under French control, an important advantage. They pointed out, however, that Air France's debts and its need to win approval from the European Commission for a planned FFr20bn capital injection from the French state, could give priority to the financial terms of the deal.

Kempinski, the third possible bidder, has been linked with Meridien before. In 1992, Lufthansa, the German airline, which then held a 42.6 per cent stake in Kempinski, called off plans to merge the chain with Meridien. Lufthansa subsequently sold part of its stake in Kempinski to Advanta management, a German investment group.



Tony Andrews

Le Meridien in Cairo, part of a 58-hotel chain in which the controlling stake is up for sale

Sabena swings into loss of BFr4.5bn

By Gillian Tett in Brussels

Sabena, Belgium's state airline, yesterday became the latest European carrier to show a swing into the red for 1993, reporting a BFr4.5bn ($130m) loss compared with a BFr8m consolidated net profit in 1992.

The airline, which is 37.5 per cent owned by Air France, said about BFr1bn of the loss was due to one-off restructuring and redundancy charges. It insisted that the results were "in line with the objectives of the plan developed in 1993".

The other components of the loss were a BFr1.5bn fall in turnover caused by fewer flights to Africa; a BFr1bn loss related to currency swings; and a BFr1bn drop in revenue due to price wars between European, US and Asian carriers.

Although it admitted that 1994 would be a difficult year, the company insisted that it remained optimistic about the future. The restructuring plan had, it said, begun to take effect in the second half of 1993. Meanwhile, prices had been stabilising and passenger numbers were rising – a record number was carried last year.

The loss had been widely expected. However, analysts warned that it was likely to raise questions about Sabena's longer-term future.

They pointed out that although the Belgian government had pursued a fairly generous policy towards the national carrier in the past, attempts to provide fresh aid to Sabena were likely to be opposed by the European Commission, which was adopting an increasingly tough line towards state airlines.

Commerzbank spells out fund-raising plans

By Christopher Parkes in Frankfurt

Germany's Commerzbank yesterday announced an increase of "around a quarter" in 1993 operating profits, and unveiled plans for a DM400m ($233m) capital increase as well as the issue of up to DM2bn of convertible bonds and profit-sharing certificates.

The last of the big three German banks to report also confirmed a promised DM2 dividend increase to DM12. It said the higher payout signalled its confidence for the current financial year, adding that only half the increase was attributable to a reduction in corporate taxation rates.

No figures were given for operating profits after provisions for bad risks. A "sizeable amount" of operating income was used to bolster risk provisions – which are not liable for tax – against domestic loans.

Group net earnings were down sharply at DM586.4m, compared with DM837.8m. A spokesman said 1992 earnings had been inflated by extraordinary gains from the consolidation of the group's Berlin business, following the ending of the concessionary tax regime for businesses in the city. Statutory requirements meant all the Berliner Commerzbank's reserves had been counted as profit.

The capital-raising moves, which were foreshadowed last autumn, followed a DM500m equity rights issue and a DM800m issue of profit-sharing certificates last year. Both measures would be valid until April 30, 1999, the bank said yesterday.

Mr Martin Kohlhaussen, chairman, said last November that the funding was necessary to raise core capital, the basis for future lending growth, from 4.6 to 5 per cent of total assets.

Full details of 1993's record results and the bank's performance so far in the current year are due to be released at a press conference on Friday. As in the case of Deutsche Bank and Dresdner Bank, which have already reported operating profits up 16 per cent and 24 per cent respectively, Commerzbank's own-account trading is expected to have returned markedly improved earnings. After 10 months, profits from securities trading had more than trebled.

Robert Corzine describes the oil majors' Russian venture

Ice packs form a useful buffer

The need to operate in extreme temperatures in some of the most desolate and isolated areas of the world is an occupational hazard of the international oil industry. Sometimes, however, such isolation has its advantages.

Yesterday three US oil majors, Texaco, Exxon and Amoco, along with Norsk Hydro of Norway, announced a joint venture to assess and develop the oil reserves of the vast Timan Pechora basin within European Russia's Arctic Circle. Tens of billions of dollars will eventually be needed to develop the reserves, which the companies conservatively put at 2bn barrels and which Russian experts believe exceed 5bn barrels.

Texaco, which began studying the region in 1990, acknowledged that the project posed an "enormous logistical challenge" in an area that Mr Peter Bijur, senior vice-president, described as "desolate, cold tundra".

The proposed sea terminal – the first in arctic Russia – will have to withstand extensive ice packs. The special shuttle tankers that the partners envisage using to get the oil to a warmer trans-shipment point will have to be strong enough to break their way through the ice.

But the very isolation and hostile environment of Timan Pechora may mean that the consortium will be able to avoid many of the political problems which have dogged so many western oil projects in Russia.

The absence of a well developed oil infrastructure, such as the one in Siberia, means there is no "single, strong local oil company" of the type which has hindered some other western projects, according to Mr Thane Gustafson, a Washington-based analyst with Cambridge Energy Research Associates.

The consortium will have a service contract with Arkhangelskgeologica, a local company which has drilled 130 wells in the area, but there will be no direct Russian equity participation.

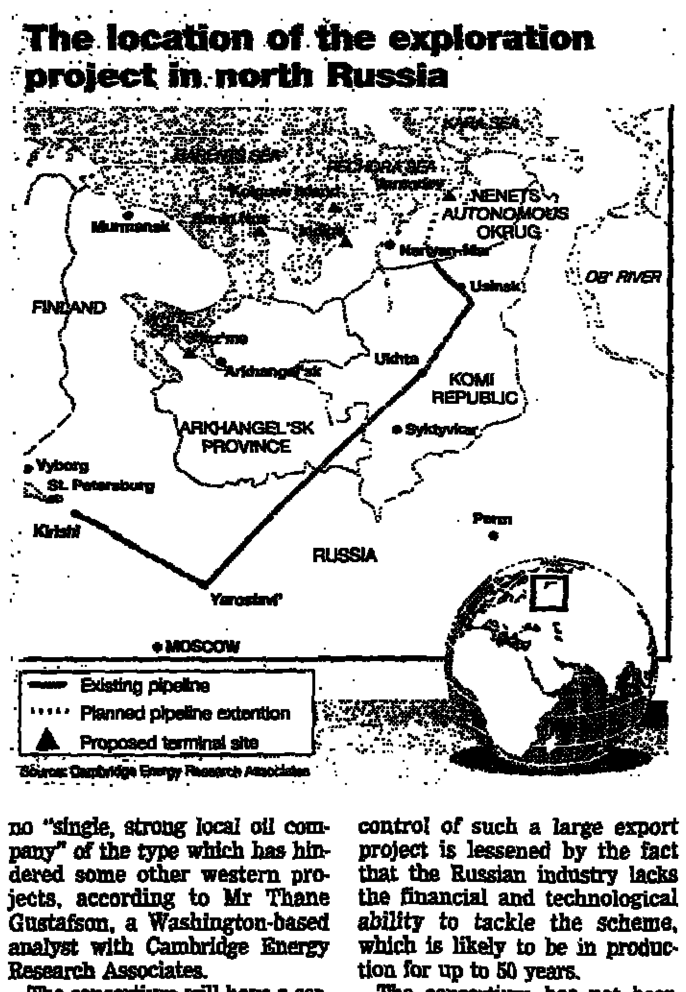
Mr Gustafson also points out that the consortium intends to build a dedicated export terminal on the Pechora Sea, thus eliminating dependence on the often clogged Russian oil transportation system or the need to arrange swaps through Transneft, the Russian monopoly oil transporter.

The political sensitivity of a foreign consortium having full control of such a large export project is lessened by the fact that the Russian industry lacks the financial and technological ability to tackle the scheme, which is likely to be in production for up to 50 years.

The consortium has not been entirely free from the political uncertainty which surrounds foreign involvement in Russia's oil industry. "It has been a tortured route" to secure the necessary approvals for the project, according to Mr Bijur. Expert committees have spent three years reviewing the project, and negotiations are still going on with the Ministry of Fuel and Energy over the details of a production sharing contract.

The partners are also seeking approval from the Russian parliament. Meanwhile, assessment work will continue.

The location of the exploration project in north Russia



Source: Cambridge Energy Research Associates

Alcatel Alsthom may join with Pirelli for Stet sale

By John Ridding in Paris and Andrew Hill in Milan

Alcatel Alsthom, the French telecommunications, energy and transport company is planning to join with Pirelli, the Italian tyres and cables manufacturer, to participate in the privatisation of Stet, Italy's state-owned telecommunications group.

Alcatel said yesterday that it had "responded favourably" to a proposition by Pirelli that they should co-operate in the privatisation, but said no formal alliance had yet been set up. Pirelli declined to comment on Alcatel's declaration.

The privatisation of Stet, 52 per cent of which belongs to IRI, the Italian state holding company, is expected before the end of the year.

A spokesman for the French group said Alcatel was keen to expand in Italy, where it is already the second largest supplier of telecommunications equipment, in spite of the current problems in the market. However, it will be up to Italy's new government to finalise terms for the privatisation, likely to be one of the biggest and most controversial in the current series of sales by the state.

In August, five of Italy's state-controlled telecoms operators will be merged into a single company, Telecom Italia, which will be Stet's principal asset.

However, the more sensitive question of the conditions for the sale of IRI's stake has not yet been settled. Last week, Mr Carlo Azeglio Ciampi, outgoing Italian prime minister, suggested that each investor should be limited to 1 per cent of the shares in the privatised group.

Mr Pierre Suard, Alcatel's chairman, has cited difficult conditions in Italy and a fall in sales there as one of the reasons for an expected decline in net profits this year. But a spokesman said that the downturn was largely the result of economic conditions and that the market retained a strong potential for growth.

An alliance with Pirelli would extend Alcatel's existing ties with Italian industry. Alcatel holds 2 per cent of the shares in Fiat, which has a corresponding investment in the French group.

Industry observers suggest that Fiat may also participate with Alcatel in the Stet privatisation, although company officials declined to comment.

Roche sales up 6% in quarter

By Ian Rodger in Zurich

Roche, the world's most highly valued pharmaceutical group, said consolidated sales rose 6 per cent in the first quarter to SFr3.7bn ($2.6bn).

The relatively low overall increase was due mainly to the rise of the Swiss franc in recent months against most currencies, especially the US dollar. Expressed in local currencies, the sales rise was 12 per cent, Roche said.

The group's smaller divisions performed significantly worse than the dominant pharma division, where sales rose 10 per cent in Swiss franc terms to SFr2.09bn, or 16 per cent in local currencies.

Roche said its top selling drugs – Rocephin, an anti-infection treatment, Dormicum, a mild anaesthetic, Roaccutane for treating acne – all showed sales volume rises.

Sales of vitamins and fine chemicals rose three per cent to SFr816m while the diagnostics division suffered a five per cent fall in sales to SFr400m as the US government cut its payments for certain laboratory procedures.

Sales of fragrances and flavours rose 9 per cent to SFr405m.

Roche will publish its profit figures for 1993 next Tuesday.

● Sulzer Technology, the Swiss engineering group, has reported an 11 per cent rise in 1993 net income to SFr186m on a 2 per cent fall in sales to SFr6.66bn. Operating income was up 7.2 per cent to SFr268m.

The directors are recommending a rise in dividends from SFr16 to SFr18 per share or participation certificate.

UK property yields below gilts

By Vanessa Houlder, Property Correspondent

The sharp recovery in the UK commercial property investment market over recent months has pushed property yields below gilt yields for the first time since 1992.

Property yields, the ratio of income to capital value, have fallen at the fastest pace on record since institutions returned to the property market in force last year. Since the market's turning point last June, property values have risen by about 25 per cent, according to Hillier Parker, chartered surveyors.

The Hillier Parker figures show that property yields fell from 9.2 per cent in May 1993 to 7.3 per cent at the start of this month, when long-dated gilt yields stood at about 8 per cent.

The cross-over of bond and property yields marks a new phase in the recovery of the property market. Until recently, investors principally bought property for the strength of its existing income, rather than for its potential rental growth.

The property market was largely driven by movements in the bond markets, rather than the strength of tenants' demand for buildings.

The cross-over of gilt and property yields marks the end of the first period since the 1960s when investors demanded higher yields from property than from gilts.

Cariplo lifts group net profits to L323bn

By Andrew Hill

Net group profits at Cariplo, Italy's largest savings bank, increased 4.2 per cent in 1993 to L323bn ($196.95m), compared with L310bn in 1992.

Gross earnings increased 22.4 per cent to L2,375bn, before provisions and adjustments, while total assets grew 9.3 per cent to L150,893bn.

Cariplo shareholders yesterday backed the nomination of Mr Sandro Molinari, the bank's chief executive, as chairman. His predecessor, Mr Roberto Mazzotta, stepped down because he faces charges of corruption relating to property transactions by the bank's pension fund.

Overall deposits in the group rose by 13 per cent in 1993 to L122,536bn, while total loans increased to L134,607bn, a rise of 11 per cent.

● Mr Giampiero Pesenti, the Italian industrialist, has increased his group's stake in Credito Italiano, the recently privatised Italian bank, to 2.99 per cent, the maximum allowed. The Pesenti group previously held 2.88 per cent through Luxembourg-based Franco Tosi International.

On Saturday Credito's new shareholders will get their first chance to influence the direction of the bank when they elect a board of directors.

Burmah Castrol lifts payout after 18% rise

Pre-tax profits of Burmah Castrol, the UK lubricants, chemicals and fuel group, rose 18 per cent to £193.8m ($282.9m) for 1993. Profit after tax and minorities rose 39 per cent to £102.7m, writes Andrew Bolger in London.

The group recommends a final dividend of 11p, making a total cash dividend of 27.5p against 25.25p last time.

Castrol intends to offer a second enhanced share alternative, at a 50 per cent premium, to alleviate advance corporation tax.

Lex, Page 18

Finland steps up privatisation pace

Sell-off programme enters new phase, writes **Christopher Brown-Humes**

Finland's privatisation programme has entered a new phase with the announcement that two big industrial groups, Rautaruukki and Valmet, intend to launch large share offerings to international investors in the next few weeks. A sell-off programme characterised by caution and hesitancy is expected to gain momentum, as other state-owned groups follow their lead.

"The pace of privatisation this year will be faster than it has been," asserts Mr Matti Vuoria, secretary general at the Finnish ministry of trade and industry.

Rautaruukki, Scandinavia's second largest steel producer, is aiming to raise FM800m ($145m) and reduce state ownership to 70 per cent from 81 per cent through an offer of 16m new shares.

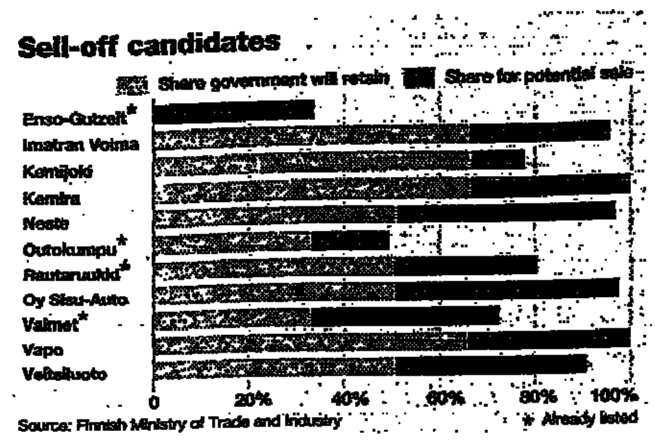
Valmet, one of the world's three biggest producers of paper machinery, hopes to raise more than FM500m by offering between 5m and 7m shares.

But these are only two of the 11 names on the government's privatisation list, companies which together account for 20 per cent of Finnish exports and 15 per cent of the industrial labour force.

Other candidates include Neste, the oil and petrochemicals group; Kemira, the chemicals group; Outokumpu, the mining company; and Enso-Gutzeit, the pulp and paper group.

In all 11 companies, the government has parliamentary authorisation to reduce current state ownership levels sharply.

Privatisation has come to the fore partly because of the general European trend. But the process also recognises that the state cannot afford to finance its siblings, who instead will be encouraged to tap the capital markets for their needs.



Finnish privatisation has significant differences to sell-off programmes in other European countries.

First, the process is more a widening of ownership than full-scale privatisation, as the state currently intends to keep more than 50 per cent of the shares in all but three of the companies on its list.

Second, the state is not garnering the proceeds, but instead allowing the companies to bolster balance sheets weakened by recession and heavy investment. It is a process of gradual dilution, with companies typically targeting share issues at domestic and international institutions to broaden their ownership base. To date, the retail element has been very small.

It is also a very cautious programme: no timetable has been specified, let alone a revenues target. Kemira, which first asked to be privatised 10 years ago, is still 100 per cent state-owned.

One obvious reason for the slow progress is the three long recession years between 1991 and 1993, which dragged many companies into the red and sent share values plunging.

Another is the small size of the domestic market. "I don't think we can afford any failures, taking into account the size of the Finnish stock exchange," says Mr Vuoria.

There are still painful memories of one such failure: a Valmet issue in the late 1980s when the shares crashed to FM20 from an issue price of FM120. The limited size of the domestic market explains why international investors will play a crucial role in the success of the privatisation process.

Finally, there has undoubtedly been a certain political hesitancy, particularly on the part of the opposition Social Democrats. Certain elements within the Centre Party, which dominates the centre-right coalition government, have also shown limited enthusiasm for the process. Both parties worry about the implications for regional policy and jobs if companies slip out of state control.

This does not mean that there are significant ideological barriers to privatisation. Finns stress that their state-owned companies were never nationalised; instead their roots originate in the post-war period when Finland had to create industrial capacity to pay war reparations to the Soviet Union. In the meantime, they have had considerable freedom to operate like private companies.

For many companies, the main worry is timing. Having improved their results strongly last year, and after heavy internal restructuring, they fear that market conditions may move against them.

Helsinki was western Europe's top performing bourse last year, rising 91 per cent, but this year conditions have been more unsettled amid the turbulence which has swept international bond and equity markets.

However, most analysts do not believe that the recent price correction will unsettle the privatisation programme. "I am very positive about prospects," says Mr Esa Cleve, director of Prospectus, an investment banking group.

He believes that foreigners will continue to be attracted to the Finnish market due to the improving domestic economy and the much stronger financial performance of the country's big exporters. Mr Cleve also notes that domestic interest in equities is high with interest rates at their lowest levels for decades.

Even if privatisation does move faster this year, the programme is unlikely to be concluded before the end of the decade. At the end of the process, the state says it will only retain a direct holding in companies on grounds of specific national interest.

The government has already indicated that it will start selling stakes in companies itself – but not before it is satisfied that companies' balance sheets are generally much stronger than they are today.

France starts pre-placement of UAP shares

By Alice Rawsthorn in Paris

The French government will today start the next phase of its privatisation programme by beginning the pre-placement, or marketing, of shares in Union des Assurances de Paris (UAP), the insurance group.

Mr Edmond Alphandéry, the economy minister, yesterday said that the price of the issue would be announced within the next few weeks, with the timing of the share sale being determined by market conditions.

The issue involves the sale of the state's 50 per cent holding in UAP, which is valued at more than FFr25bn ($4bn), and a capital increase for the company.

However, institutional investors can from today place uncommitted orders for shares in UAP, France's biggest insurer. The group's employees will also be allowed to reserve shares.

The economy ministry has already announced that it plans to allocate more than 11 per cent of the shares to *noyaux durs*, or "hard core" shareholders.

صكرا من الاهل

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GFSA posts 'fine achievement' in third term

By Mark Suzman in Johannesburg

Gold Fields of South Africa yesterday reported an increase in after-tax profit to R441.1m ($89.1m) in the third quarter to March, on the back of a higher gold price received, well up on the same quarter last year when profits were R267.4m.

The figure compares with the R387.7m recorded in the December quarter.

Pre-tax figures were even stronger at R626.4m, compared with R530.2m in the previous quarter, reflecting a solid operating performance from the four mining companies.

The quantity of gold produced was almost unchanged at 30,982kg, against 30,713kg the previous quarter, but sales revenue advanced to R1.31bn from R1.22bn, boosted by an increase in the average gold price to R42,156 per kg, up from R39,758, on continued weakening of the rand.

Mr Alan Munro, executive director, pronounced the results "a fine achievement in a difficult quarter," noting that the overwhelming bulk of this tax was on the group's star performer, Driefontein.

The mine, the country's most profitable, had another exceptionally strong quarter with its east division increasing an already high yield to 11.6 grams a tonne.

Pre-tax profits rose to R405.8m from R329.7m the previous quarter. However Mr Munro warned that such an exceptionally high grade could not be expected to continue for much longer.

Kloof, the other large producer in the group, boosted its after-tax profit to R192.3m from R174.1m.

This improvement came despite the continued loss of production after an accident in one of its shafts and a disappointing quarter from its Libanon division, which posted a loss of R1.1m after last quarter's R3.7m profit.

Troubled Doornfontein maintained after-tax profit at R4.27m compared with R4.33m, but the figures did not include a R6m award for unfair dismissals which will be paid in the current quarter.

The group's other producer, Deelkraal, also improved to R15.7m from R14.9m despite a slight dip in its yield.

Mr Munro said he expected the improvement to continue into the next quarter, but much depended on the effect of this month's elections, both in terms of potential disruptions and the rand gold price.

BR Distribuidora float pays off

Brazil's petrol distributor is proving itself, writes Patrick McCurry

When investors snapped up shares in BR Distribuidora last December they were buying into Brazil's largest petrol distributor and a company widely regarded as the best-run subsidiary of Petrobrás, the state-controlled oil company.

Since the offer, which saw 26 per cent of the company sold in non-voting shares mainly to institutions, BR has announced net profits up 50 per cent for last year. It is now considering an issue of American depositary receipts this year.

Investors were attracted because BR is considered to be a well managed, profitable company with no bank debt. This is possibly because petrol distribution has long been open to private competition. While Petrobrás' exploration and refining are a government monopoly, BR has had to prove itself in a highly competitive sector against some of the world's largest oil companies.

Despite this threat, BR has maintained a market share of 36-37 per cent, compared with 22 per cent for its nearest rival, Shell Brasil.

Shortly after the share offer, which raised $250m for Petrobrás' own projects, BR announced net profits of $110m for the year to the end of December 1993, up from $73m in 1992.

Financial director Mr Reynaldo Aloy said the increase was due to higher profit margins following a partial liberalisation of prices in the oil derivatives sector and an increase in gross sales of 8.7 per cent to $6.73bn.

Although the BR sale was oversubscribed, its share price significantly underperformed the São Paulo stock exchange, rising in dollar terms only about 12 per cent to early-March from launch, compared with about 40 per cent for the market as a whole.

Brokers attribute the underperformance to the comparatively high initial price asked for BR shares. These were sold at about a 50 per cent premium to the company's per share book value.

Mr Ronaldo Guimarães, technical manager at brokerage house Banco do Brasil DTVM, which helped manage the initial public offering, says the sale is a first, small step towards the full privatisation of BR.

Other analysts, however, believe Petrobrás is using BR to improve its own cash flow and may raise money again by selling more non-voting shares, for example in the mooted ADR issue.

Ironically, the flotation of the company may make it harder to privatise. "Experience has shown that government controlled companies with outside shareholders are harder to sell off," says a Petrobrás source.

Mr Aloy says the sale is not related to privatisation: "We wanted to open up new lines of capital in the financial markets and to show that we are a strong, solid, profitable company."

Apart from Shell, BR's main competitor is the local Ipiranga group, which last year bought Atlantic Richfield Company's petrol station chain in Brazil, and has a market share of about 18 per cent. Esso has 13 per cent and Texaco less than 10 per cent of the market.

Competitors agree that BR is strong and well-managed. However, they attribute part of its success to traditional "captive" government customers, such as the armed forces. This market has been reduced recently with the privatisation of the steel industry.

Mr Aloy says government customers, accounting for 25 per cent of sales, buy from the company because it offers competitive service and has the biggest distribution network.

According to Mr Henrique Neves, a vice-president of Shell Brasil, the opening up of BR and Ipiranga's purchase of Atlantic means even fiercer competition in the sector. Competition will also heat up if remaining controls on pump prices are removed, as the industry expects.

Hugo Boss advances to record

By Michael Lindemann in Stuttgart

Hugo Boss, the biggest German menswear designer, yesterday unveiled record profits, up 73 per cent to DM76.5m ($44.7m) for 1993.

Worldwide sales, though, were 7.8 per cent lower.

Mr Peter Littmann, chief executive, said the company would take advantage of a tax break and good liquidity to pay a one-off dividend of DM117.50 per share.

He added that a "difficult environment" meant sales this year were likely to match levels achieved last year.

Disregarding the extraordinary items, profits would have been DM48.6m, up 10 per cent.

"The 1993 profits are not repeatable," Mr Littmann said. "Not now or in the next 10 years."

On top of the extraordinary dividend, ordinary shares will receive a DM23 dividend, up from DM21, while holders of preferential stock will receive DM24.50, also up DM2.

Mr Littmann blamed the drop in sales on weak markets in Europe and the restructuring of the US division.

However, Boss labels were a huge success in new Asian markets, where turnover in some cases doubled.

The company is 50.4 per cent owned by the Italian Marzotto group while the Holy brothers, grandsons of the founder, still hold a 7 per cent stake.

Turnover was down 10 per cent on the year before but Mr Littmann said that would not influence year-end results.

New HK fund for investment in China launched

By James Harding

A fund investing in smaller companies listed in Hong Kong with interests in China has been launched for European investors.

South Ocean Management, a Hong-Kong based company which has $28.7m of US private investors' funds under management in Hong Kong, is launching Cathay Value Fund, as yet of undetermined size, for investors outside the US.

Allen & Company, a New York investment bank, is acquiring 50 per cent of South Ocean, which was founded in 1992 and is headed by Mr Richard McConnell.

Mr McConnell said he was investing in 43 smaller Hong Kong companies with substantial interests in China's southern province of Guangdong, high growth rates and low price earnings ratios.

He believes the small companies he selects will outstrip larger companies in the Hang Seng index.

However, the US investors' accounts managed by South Ocean grew by 62 per cent in 1993, compared with the 115 per cent rise of the Hang Seng.

Cathay Value Fund is the latest in a torrent of China-related funds launched over the past three years. Mr McConnell, a fund manager from New York, told a group of potential investors that "Hong Kong looks like the Nasdaq [the US over-the counter share market] in 1951".

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Goodyear rally extended with 30% income gain

By Richard Tomkins in New York

Goodyear Tire & Rubber, the US tyre manufacturer that has staged a strong recovery over the past three years, yesterday said it expected to report an increase in first-quarter net income of between 30 per cent and 35 per cent above the previous year's figure.

It also announced it was seeking to enter the Chinese market by setting up a joint venture with a company manufacturing and selling tyres in China.

Mr Stanley Gault, chairman and chief executive, told shareholders at the annual meeting in Akron, Ohio, that net profits should be in the $113m to $118m range, compared with $87.1m before accounting changes last time.

Preliminary estimates suggested first-quarter sales would be 2 per cent ahead of last year's $2.81bn, Mr Gault said.

Earnings per share should be in the 75 to 78 cents range, compared with 60 cents last time.

The Goodyear board also announced it had declared a 33 per cent increase in the dividend to 20 cents from 15 cents a share for the first quarter. The company's stock rose by $½ to $42¼.

Mr Gault attributed the strong first-quarter results to a combination of new products, cost reductions and efficiency improvements.

The same factors have underscored the sharp recovery in the company's financial performance since Mr Gault took over as chairman and chief executive in 1991.

The sales increase was more modest than the profit improvement because it included a higher proportion of tyres for new cars, which sold at lower prices than replacement tyres.

Concerning the group's plan to enter China, Mr Gault said Goodyear would prefer a joint venture. But he added the company had also been approached by Chinese provinces seeking to interest it in a greenfield venture – an option Goodyear would consider if no suitable partner could be found.

Euro Disney syndicates meet over rescue plan

By Alice Rawsthorn in Paris

Leaders of the Euro Disney loan syndicates yesterday met the company's Japanese creditors in Paris in a bid to persuade them to agree to plans for the troubled leisure group's FFr13bn ($2.22bn) rescue package.

Most of the 63 international banks in the Euro Disney syndicates are understood to have agreed in principle to the rescue. Banque Nationale de Paris (BNP) and Banque Indosuez, joint leaders of the banks' steering committee, hope by Friday to have finalised the agreement.

But the banks have yet to agree terms for underwriting of the rights issue. Japanese creditors – including LTCB of Japan, Mitsubishi Trust, Sumitomo, Bank of Tokyo and Industrial Bank of Japan – are reluctant to be involved with the underwriting.

The Japanese banks yesterday pressed BNP and Indosuez for exemption from the underwriting. They also urged that the Caisse des Dépôts et Consignations, which is Euro Disney's biggest lender, should play a larger part in the restructuring.

Jefferson Smurfit in $2bn move to cut debt

By Bernard Simon in Toronto

Jefferson Smurfit, one of the US's biggest recycled newsprint and packaging producers, plans an ambitious $2bn recapitalisation, including a public equity offering and refinancing a substantial portion of its debt.

According to a prospectus filed with the Securities and Exchange Commission in Washington, the restructuring is designed to improve the St Louis, Missouri-based company's operating and financial flexibility by reducing the level and the cost of borrowings, extending debt maturities and strengthening its equity base.

Smurfit, 50 per cent owned by Jefferson Smurfit Group of Ireland and 40 per cent by two equity funds run by Morgan Stanley, has struggled under a heavy weight of junk bond-financed debt, exacerbated by weak paper and packaging markets.

Long-term debt stood at $2.6bn at the end of last year, and there was a shareholders' deficit of almost $1bn. The company, with 1993 sales of $2.9bn, has suffered losses totalling almost $400m over the past three years.

The restructuring includes a $300m global public equity offering and new credit facilities totalling $1.65bn, making the financing one of the largest for a non-investment grade company in recent years.

The Irish parent has agreed to inject $100m of new equity. In addition, Container Corporation of America, a Smurfit subsidiary, will issue $400m of senior notes.

The bulk of the funds will be used to repay bank facilities and to redeem $844m of junk bonds.

When the proposals are implemented, the Irish parent's stake will drop to about 44 per cent, while the Morgan Stanley funds will hold a 31 per cent interest. The remaining 25 per cent will be held by outside investors, including the public.

Under the plan, long-term debt will be only modestly reduced to $2.4bn, and the company will continue to have a large debt-servicing burden over the next five years. The prospectus warns "there can be no assurance that the company will generate sufficient cash flow to meet its obligations".

Smurfit carries a single-B non-investment grade (or junk) bond rating, although bankers hope an improvement in its financial condition will allow it to reach a double-B rating before long. The strengthening US economy has led to a marked improvement in paper prices over the past six months.

Besides the financial restructuring, Smurfit last year began an internal shake-up aimed at reducing costs. The programme, expected to last two to three years, resulted in a $96m pre-tax charge last September reflecting, among other things, a consolidation of manufacturing facilities.

Lower finance costs lift CPC

By Richard Tomkins

CPC International, the US food company whose brands include Hellmann's mayonnaise, Knorr soups and Mazola corn oil, yesterday reported a 9 per cent increase in net income to $98.1m for the first quarter, helped by volume gains and lower financing costs.

World-wide volumes rose by 9 per cent, about a third of which came from acquisitions – among them the Pfanni potato products business in Germany.

Unfavourable exchange rates affected the value of sales in dollar terms, but the combination of volume gains and higher prices produced an overall increase of 6 per cent in turnover to $1.74bn.

Best Foods, CPC's North American food business, saw sales growth of 9 per cent on increased volumes of Hellmann's mayonnaise, Mazola oil, Skippy peanut butter, Karo syrups and Knorr products.

However, specialty baking and Mueller's pasta were down, and higher commodity prices combined with increased spending on marketing and product development left North American operating income flat.

Growth in overall operating income came from CPC's international operations – particularly in Latin America, where consumer foods recorded a 25 per cent increase.

But Mr C. R. Shoemate, CPC's chairman and chief executive, warned that the Latin American business would be significantly affected by the difficult business environment in Brazil in the second quarter.

Finance costs fell to $20.2m from $22.8m, leaving pre-tax profits up 9 per cent at $172.5m.

Earnings per share rose to 63 cents from 58 cents and the dividend is 34 cents a share, up from 32 cents.

VW fails to settle Skoda differences with Czechs

By Patrick Blum in Vienna

Talks yesterday in Prague between Mr Ferdinand Piëch, Volkswagen chairman, and Mr Vladimir Dlouhy, the Czech minister for trade and industry, failed to resolve differences between the two sides over the long-term future of Skoda Automobilova, in which the German car maker has a 31 per cent stake.

The two partners – the Czech state still owns almost 70 per cent of Skoda – have been at odds ever since VW, which was due to invest DM7.1bn over 10 years, said last autumn that it was sharply reducing investments to DM3.7bn ($2.2bn) as part of its cost-saving drive.

Plans for a new engine plant at the Mlada Boleslav site were also ditched. This angered the Czech government, which argued that as the main shareholder, it should have been consulted about the changes.

In December, both sides agreed to differ, and Mr Piëch promised to keep Prague better informed.

A new protocol covering future investments by VW will be presented at a shareholders' meeting on Friday.

Générale des Eaux ahead at FFr3.2bn

By John Ridding in Paris

Compagnie Générale des Eaux, the French construction, utilities and communications group, raised net profits by just over 10 per cent last year to FFr3.2bn ($545m), according to estimates announced by the company yesterday.

The increase was achieved in spite of difficult conditions in the construction and water services markets, and is higher than forecasts made by the group at the end of last year when it launched a rights issue for more than FFr3bn.

The company said it would propose a dividend of FFr44 per share, against FFr43 in 1992, and it is planning to split its shares into four to improve liquidity.

Final results are expected at the end of the month, although the company has already announced that sales grew by just under 3 per cent last year to FFr147bn. About FFr39bn of the total was generated outside France.

The group said there was a negative impact on profits from its property and cable television activities. It is aiming to expand its activities in the media sector. In February it took joint control of Canal Plus, the pay-TV network, with Havas, the media company, and Société Générale, the banking group.

In a statement issued yesterday, Mr Guy Dejouany, chairman, said cashflow during the year had risen slightly to FFr11bn.

Investments in 1993 amounted to FFr7.8bn as the company sought to expand its presence outside France.

The strategy of reinforcing its international position has been continued this year.

Last month, Générale des Eaux announced that it was raising its stake in Air & Water of the US, from 23 per cent to 40 per cent.

Seagram expands in Australian wine deals

By Robert Gibbens in Montreal

Seagram, one of the world's top four drinks groups, is expanding its wine interests in Australia.

As a first step, Seagram has sold its Saltram Wine Estates, a wine producer and distributor based in Barossa Valley, South Australia, to Rothbury Wines.

Then Seagram bought treasury shares of Rothbury to hold a 20 per cent interest and become the largest single stockholder in Rothbury Group. It will have one representative on the Rothbury board.

Seagram would not reveal prices or other financial details. The two Australian companies in effect will be merged operationally and expanded.

Seagram has distributed its wine and spirits products in Australian since 1954. It bought Saltram in 1978.

"There are strong synergies between Rothbury and Saltram and joining forces will create a strong dynamic business," Seagram said. "The combined company will offer a broad Australian wine portfolio as well as other Seagram wines."

Analysts said the deal sets Seagram's Asian and global business strategy.

● SHL Systemhouse, a fast expanding computer service group, lifted second-quarter net profit to C$5.4m (US$3.9m) or 10 cents a share, from C$1.3m, or 3 cents, a year earlier. Revenues gained 22 per cent to C$292m.

First-half revenues rose 27 per cent to C$559m and net profit was C$10.1m, or 19 cents, against C$1.6m, or 4 cents.

Quarterly profit at Australian Alcoa slips

By Bruce Jacques in Sydney

Directors of Alcoa of Australia, the integrated aluminium producer, have warned that any recovery will be constrained following a 5.6 per cent fall in net profit in the March quarter to A$76.3m (US$53.7m) from A$80.9m a year ago. Revenues were 1 per cent higher at A$509.8m, against A$504.7.

Directors said the result reflected lower prices for all products, partially offset by increased sales volumes of alumina, lower unit production and lower taxes.

"First-quarter results should not be taken as indicative of results for the remainder of 1994," they said.

"Conditions in the industry remain difficult, and although a number of producers have communicated they will cut back metal production, inventories remain high and will constrain recovery in the industry."

Tax provision was down to A$40.2m from A$55.2m in the period, while depreciation took A$36.4m, against A$36.7m. Interest expense was down to A$4.8m from A$7.1m.

Suzuki writes off Y8.54bn for Santana

Suzuki Motor, the Japanese minicar maker, said it wrote off Y8.54bn ($81.2m) of bad debt from its exposure to its troubled Spanish unit, Santana Motor, in the year to March 31 1994, Reuter reports from Tokyo. Santana is owned 83.7 per cent by Suzuki.

Santana stopped output two months ago when its labour union went on strike in protest against management restructuring plans which involved reducing the workforce of 1,400 by 60 per cent.

Suzuki said the company was standing by its November forecast of parent current profit of Y18bn in 1993-94, down from Y20.48bn in the previous year.

James Hardie to float off HarTec

James Hardie Industries, the Australian building supplies group, has continued to sell non-core businesses, with plans to float its electronic components subsidiary, HarTec, writes Bruce Jacques.

Hardie announced yesterday it would offer 29.1m shares at A$1 each in the company, with the issue fully underwritten. With payment of inter-company loans before the float, Hardie will net A$34.1m from the transaction.

Hardie's managing director, Dr Keith Barton, said the sale was part of the company's strategy of concentrating on core businesses.

About 35 per cent of HarTec's shares will be set aside for Hardie shareholders.

Packer network buys Optus stake

Nine Network, the Australian television network controlled by Mr Kerry Packer, has agreed to buy a 15 per cent stake in Optus Communications for A$318m (US$224m), agencies report from Sydney.

Optus, which is establishing Australia's second telecommunications carrier and also operates communications satellites, is to issue 265m new shares to Nine Network, which will fund the investment through bank financing.

Current shareholders in Optus are BellSouth, of the US, and Cable & Wireless, of the UK, each of which own 24.5 per cent. The balance is owned by Australian companies Mayne Nickless, Australian Mutual Provident Society, National Mutual Life Association of Australasia, and AIDC.

The investment by Nine Network increases the Australian shareholding in Optus to more than 58 per cent from 51 per cent. The current shareholders will dilute proportionately their interests to accommodate Nine Network.

The Optus group of companies will be restructured by August so that all shareholders have direct equity in Optus Communications.

Currently, some have indirect stakes through a separate entity, Optus Pty.

"The restructure of the Optus group will facilitate a listing of Optus Communications on the Australian Stock Exchange in due course," said a statement from Optus and Nine Network.

The TV network has entered a strategic alliance with the telecommunications company under which Nine Network will support and participate in the development of multimedia operations at Optus. Nine Network has agreed to maintain its shareholding for at least five years and to limit its holding in Optus to a maximum 20 per cent for this period.

Optus, formed in January 1992 as a competitor to the state's Telecom Australia when telecommunications was partly deregulated, has spent A$1.2bn building a telecoms network. It plans to spend another A$3bn over the next four years.

Analysts estimate Optus has 20 per cent of Australia's mobile telephone market and 18 per cent of its overseas traffic but only 7 per cent of the domestic long-distance calls, or 13 per cent of the combined A$4.5bn-a-year market. Telecom retains the local call monopoly.

Nine Network shares closed 10 cents lower at A$5.20.

Merchant bank is the envy of Hong Kong, writes **Simon Holberton**

Soaring Peregrine seeks central role in Asian bond market

If the brash and aggressive merchant banking style of the 1980s survives anywhere, then it is in Hong Kong. And one bank which represents the style best is Peregrine Investments, the brokerage Hong Kong's financial community envies and likes to hate.

Since 1988, when it was just an idea in the minds of its two founders, Peregrine has become one of the colony's leading merchant banks. Not content with Hong Kong, it sees itself as a regional merchant bank and is opening offices as far afield as India.

Yesterday, it reported a 27 per cent increase in net income to HK$855.5m (US$110.8m) from HK$676.5m. Turnover, bloated by the introduction of London-based debt securities trading, almost trebled to HK$11.4bn from HK$4.3bn. A final dividend of 35 cents a share was declared which, with 25 cents paid at the interim stage, makes 60 cents for the year – up 14 per cent.

Peregrine is an uncommonly successful marriage of the English and the Chinese. Mr Philip Tose, formerly chief executive of Citicorp Scrimgeour Vickers and the son of a Vickers' partner, is chairman. Mr Francis Leung, a corporate finance expert from Mr Tose's days at Citicorp, is the company's managing director.

While merchant banks and brokers such as Barings and Jardine Fleming, two long-established British houses, represent an establishment that is rapidly passing, Peregrine is part of the establishment in waiting. Its name is always associated with what the colony's leading "red chips", such as Citic Pacific, do, as it is with the big local Chinese companies such as Mr Li Ka-Shing's Cheung Kong or Mr Gordon Wu's Hopewell.

Last year Peregrine was the lead broker in nearly HK$25.5bn of new issues, rights issues and placements in Asia. It acted as financial adviser to another clutch of deals worth more than HK$26bn in the region. The company took the lead for companies in South Korea, India and the Philippines, but the vast majority of deals were done in Hong Kong, where it dominates the market.

In 1993, Peregrine was responsible for more than 60 per cent of the new listings (by value) on the Hong Kong stock exchange; it accounted for about one third of all rights issues and a quarter of placements, again by value. The fees are good. The company made US$10m from the flotation of Mr Wu's Consolidated Electric Power Asia last autumn.

Says Mr Tose: "We think the ability to commit to deals quickly is very important ... we have no intention of giving up our market share without a fight." Yesterday he forecast that the company's capital base would grow from its present US$500m of net assets to US$2bn in four years. That would make Peregrine a "serious player" on a global scale.

Mr Leung says the idea of a merchant bank like Peregrine began germinating in both executives' minds during 1988. Citicorp was retreating from equity markets in the wake of the October 1987 stock market crash and Mr Leung thought it was only a matter of time before the bank decided to retrench in Hong Kong.

"I thought about what I did for clients – doing deals, raising money and investing it," he said. "I thought I could do the same for myself. What I had in mind was a corporate finance boutique with a small number of clients to help make deals. Philip wanted to set up a brokerage and said 'why not put them together?'."

Peregrine was born in the autumn of 1988 when Mr Leung severed his ties with Citicorp; by the end of the year Mr Tose had finished with Citicorp as well. Among the company's initial 18 backers were Mr Li Ka-shing, Mr Wu, and Citic Pacific – today three of Peregrine's most important clients.

Initially Mr Tose and Mr Leung wanted to raise between HK$100m and HK$150m in capital, but HK$300m was eventually raised. "KS Li said we should raise more money," recalls Mr Leung. "He said with more capital at least we could live off the interest."

Through a series of transactions – the first of which entailed investing HK$300m in 34.5 per cent of Kwong Sang Hong, a cosmetics and property company which Mr Li used to control – Peregrine became listed on the stock exchange.

Mr Tose and Mr Leung exercise their control over the company through Peregrine International, a privately held investment company, which owns 20 per cent of Peregrine's issued capital and in which they have nearly a 30 per cent interest. Mr George Soros, the US financier, recently took a near 5 per cent stake in this private company. With the raising of US$200m late last year it has recently been reactivated to engage in long-term China-related investment.

The public company has also taken advantage of historically low US interest rates and raised US$200m in long-term debt. This will be used partly to expand in Asia and to get Peregrine into Hong Kong's emerging debt market as a trader and originator of deals. It recently hired a fixed income team from Lehman Brothers in Hong Kong.

Mr Leung said getting into fixed income trading served two purposes. Peregrine was positioning itself for the day when it could participate in the bond markets of Asia, especially China. It will also help smooth the company's earnings profile, as profits from stock market and corporate finance are quite volatile.

Where Peregrine causes some eyebrows to be raised, even in Hong Kong, is its practice of taking equity in companies it brings to market. But Mr Leung denies there is a conflict of interest.

"We use our corporate finance network and expertise to spot investment opportunities," he says. "Corporate finance is separate from stock broking. We invest in most when they are unlisted; the management of the exit is handled by the trading department and corporate finance does not know about it."

Talks on NZ meat processing plants fail

By Terry Hall in Wellington

New Zealand's two most modern meat processing plants – which lie idle following the collapse of the Fortex group – are to be offered for sale on the international market. This follows the breakdown of negotiations with a group of New Zealand businessmen who wanted to lease the plants.

Earlier, the Fortex receiver, Mr Alan Isaac, had unsuccessful talks with other New Zealand meat processing companies over leasing the plants. These failed when he refused to give these companies options to buy.

The failure to lease the plants is a further blow to New Zealand's most important industry, which has an annual turnover of NZ$3.3bn ($1.89bn). Fortex had been considered a world leader in efficient meat processing, and was the pioneer in 24-hour slaughtering.

Fortex, which was credited with leading reform of New Zealand's meat processing industry, was well advanced with plans to open a plant in Wales as a step to introduce its technology to UK slaughtering. It also had extensive marketing operations in the UK, continental Europe, North America and Asia.

Mr Isaac was appointed receiver last month after the surprise announcement that the company expected to lose NZ$45m in the six months to February 28 because of intense competition in the industry.

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INTERNATIONAL CAPITAL MARKETS

Gilts surprisingly strong ahead of economic data

By Antonia Sharpe in London and Patrick Harverson in New York

The UK government bond market vied with its Italian counterpart for the best performance of the day yesterday. Analysts said they were surprised by the gilt market's strength, given this week's heavy timetable of economic data in the US and the UK.

UK trade figures for January are expected on Thursday and the more important UK retail price index on Friday.

After February's disappointing numbers, the market will be looking for a rise of 0.4 percentage points on the month in the underlying annual rate (excluding mortgage interest payments) to 2.6 per cent.

The headline annual rate is expected to be unchanged from February at 2.4 per cent.

The market widely expects the Bank of England to make an auction announcement on Friday. Some analysts said they expected the Bank to re-open outstanding gilt issues with maturities of between 2006 and 2010.

On Liffe, the June contract on the long gilt future stood 1 7/32 points higher in the late afternoon at 108⅜ in moderate volume.

■ Italian bonds started the week in an optimistic mood, despite Sunday's reiteration by Mr Umberto Bossi, the leader of the Northern League, that the party would only help form a new Italian government if its federal, free-market and anti-fascist values were respected.

Mr Troy Bowler, international strategist at PaineWebber, said favourable coverage of Mr Bossi's comments in the Italian press helped to push bonds and the lira higher. He noted that the yield on 10-year Italian government bonds was now only 11 basis points higher than the yield on 10-year Spanish government bonds. This was the closest that Italian bond yields had come to Spain's since last October and compared with a yield differential of 100 basis points in early March.

Mr Jeff Brooks, fixed-income analyst at Merrill Lynch in London, said he expected investors to switch into Spain because the Italian market had got too far ahead of itself. "There is no allowance in the Italian market for a political collapse," said Mr Brooks.

The June contract on the 10-year Italian government bond future on Liffe rose 1.21 points in the late afternoon to 114.75.

GOVERNMENT BONDS

■ Spanish government bonds finished higher in line with other European markets. Dealers are looking to this week's consumer price index for March, due on Thursday, for confirmation that Spanish inflation is heading downwards. The market expects a rise of 0.3 per cent to give a yearly rate of 4.95 per cent. The 10-year notional Spanish government bond future rose 0.54 points to 100.40.

■ German bunds held on to their early gains amid hopes that the Bundesbank would cut the emergency Lombard funding rate at its council meeting on Thursday. Dealers said that failing a Lombard rate cut, the market would need confirmation from the Bundesbank that it would continue its recent policy of slowly easing unofficial rates through the repo system. The bund future on Liffe stood 0.54 points higher at 97.48 in late trading.

■ US Treasury prices eased slightly across the board yesterday morning as traders and investors stayed mostly on the sidelines ahead of this week's important inflation figures.

By midday, the benchmark 30-year bond was down 3/32 at 87 21/32, yielding 7.267 per cent. At the short end of the market, the two-year note was 1/32 lower at 99 9/32, to yield 5.429 per cent.

After posting early declines in overseas markets, bonds opened weaker in New York. Traders said there was little selling and that the morning's losses were a hangover from last Friday's late sell-off.

Otherwise, business was quiet, with few participants willing to trade actively before this week's raft of economic data, which starts today with the release of the March producer prices index.

Analysts have forecast an increase of 0.1 per cent or 0.2 per cent in the PPI and a similar increase in the consumer prices index, which is due tomorrow, as are the latest monthly retail sales data.

BZ group launches covered option fund

By Ian Rodger in Zurich

Mr Martin Ebner's BZ banking group has launched a SFr1bn blue chip share investment fund, whose strategy will be to reduce volatility by continually writing covered call options on the component shares.

The fund, called Stillhalter Vision, was formed last week by BZ and a few of its large clients, who contributed some of their shares to it. (Stillhalter is a German term for covered options used in Swiss financial markets.)

In anticipation of a SFr1bn capital increase by way of a public issue of Stillhalter bearer shares next week, BZ placed 1.1m call warrants on the bearers on Friday at SFr15. In initial trading yesterday, they rose to SFr23 on the Basle stock exchange.

Mr Kurt Schiltknecht, a director of the fund, said the idea was to appeal to investors who wanted a higher return than available on bonds but who were uncomfortable with the volatility of even blue chip equities.

By continually writing call options, the fund would limit the gains and cushion the losses on its holdings.

The directors said they hoped the fund would appeal to both small and large investors seeking the advantages of option writing combined with the liquidity of a quoted share. Initially, the fund will only hold Swiss blue chip shares.

As in the cases of the three existing Vision funds, the founding shareholder group, led by BZ, would maintain majority control of Stillhalter through holdings of registered shares with five times the voting power of the bearer shares.

BZ Trust, manager of the Vision funds, has accepted the same aggressive commission structure for Stillhalter as for BK Vision, Pharma Vision and Gas Vision, even though the growth potential for the new fund would seem more modest.

Under this structure, no commission is payable in a quarter unless the fund's net asset value has risen by more than an annualised 6 per cent. Thereafter, commission rates rise rapidly.

Third mortgage backed deal by Barclays Bank

By Tracy Corrigan

Barclays Bank has launched a £281.8m issue of mortgage-backed securities, arranged by BZW. This is the third securitisation completed by Barclays, which was the first major UK bank to securitise its mortgages in 1989.

Securitisation allows institutions to remove mortgages from their balance sheets and repackage them as bonds.

The issue is backed by 7,400 mortgages selected from Barclays Direct Mortgage Service, the bank's third-party introduced mortgage business. The offering consists of £270m of senior notes with an average life of 3½ years, which will yield ¼ point above the London interbank offered rate (Libor), and £11.8m of junior notes.

"Securitisation aids balance sheet and portfolio management," said Mr Patrick Perry, Barclays' group treasurer.

Ecu traders clear the decks for the EBRD

By Conner Middelmann

The friendly tone in Europe's government bond markets lifted sentiment in the Eurobond market, but issuance remained thin as market participants stayed cautious ahead of this week's release of inflation data in the US and the UK, as well as Thursday's meeting of the Bundesbank's central bank council.

INTERNATIONAL BONDS

In the Ecu sector, players were clearing the decks for a bond issue by the European Bank for Reconstruction and Development, expected by some as early as today. The EBRD yesterday awarded the mandate for the issue to Banque Paribas and Goldman Sachs International.

According to the lead managers, the timing and terms of the issue are still uncertain and depend on market conditions. Syndicate sources expect a five to seven-year global bond of Ecu500m to Ecu1bn. The Kingdom of Spain and the Council of Europe are also said to be planning Ecu issues.

Most dealers expect Ecu supply to meet healthy investor demand. "An enormous amount of Ecu bonds mature this year and the money has to be reinvested," said one syndicate official. Moreover, rather than pinpointing any single bond market, many investors are currently seeking broad exposure to European bonds via the Ecu market, he said.

The sterling sector gave a warm welcome to £150m of four-year floating-rate notes from Woolwich Building Society via lead manager Samuel Montagu. The notes, which pay a coupon of three-month Libor plus 10 basis points, yielded 16 basis points over Libor at the 99.79 fixed re-offer price.

Meanwhile, several borrowers took advantage of continued investor demand for lira paper and good swap opportunities to issue lira bonds, continuing a recent trend.

L-Bank Finance and Südwest LB Capital Markets both increased outstanding 10-year deals by L100m while Swedish Export Credit launched a L150m 9¼ per cent 10-year bond, callable after three years. All three deals ended the day well inside fees.

Although some traders warned that the lira sector may start to get congested, others expect steady investor demand to continue, boosted by hopes of further declines in interest rates and a strengthening currency.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
SCCMF No.1 Series 94-3(a,c)	500	6.604	99.845R	Apr.1999	0.35R	+42 (5¼%-99)	Citibank International
SCCMF No.1 Series 94-3(b,c)	32	7.004	99.845R	Apr.1999	-	+62 (5¼%-99)	Merrill Lynch International
D-MARKS							
Rheinische Hypothekenbank‡	100	(d)	100.50	May.1999	2.00	-	DG Bank
STERLING							
Woolwich Building Society‡	150	(e)	99.79R	Apr.1998	0.15R	-	Samuel Montagu
ITALIAN LIRE							
Swedish Export Credit(f)	150bn	9.125	100.65	May.2004	2.00	-	BCI/ BNL
L-Bank Finance(g)	100bn	7.80	99.75	Mar.2004	undisc.	-	Credito Italiano
Sudwest LB Capital Markets(h)	100bn	8.00	95.875	Feb.2004	2.00	-	Banca di Roma/ UBS
AUSTRALIAN DOLLARS							
Western Australian Treas.Corp.	100	7.625	100.75	May.1998	1.75	-	CBA
SWISS FRANCS							
Toyota Motor Credit Corp.(c)*	150	4.25	101.125	Nov.1997	-	-	UBS

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. ‡Floating rate note. §Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Class A. b) Class B. c) Short 1st coupon. d) 6.4% for 1st yr and 18.2% - 2 x 3-yr DM swap rate thereafter. e) 3-mth Libor +0.1%. f) Callable on 13/5/97 and annually thereafter at par. g) Fungible with outstanding L300bn. Plus 56 days accrued. h) Fungible with outstanding L150bn. Plus 84 days accrued.

Canadian debt reviewed

By Conner Middelmann

Moody's Investors Service, the international credit rating agency, has put its triple-A rating for Canadian foreign currency debt on review for possible downgrade.

Approximately $8.5bn of debt is affected, including bonds issued by the Canadian government, the Export Development Corporation and the Federal Business Development Bank.

While the agency acknowledged a moderate upturn in the Canadian economy and said it expected a slight improvement in the current account deficit in 1994, it said the public sector debt question was complicated by the fact that foreigners have been buying an ever-larger portion of Canadian public sector debt.

"The rising concern about the level of public sector finance within Canada appears to pose a risk that, during a period of stress, holders of Canadian dollar-denominated debt might turn those assets into foreign currency assets."

Standard & Poor's downgraded the Canadian government's foreign debt from triple-A to double-A-plus in October 1992.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/03	108.8200	-0.580	8.12	7.92	7.34
Belgium		7.250	04/04	100.8600	+0.180	7.13	7.18	7.04
Canada *		6.500	06/04	89.3000	-0.600	8.07	8.05	7.37
Denmark		7.000	12/04	101.2000	+0.300	6.83	6.93	6.66
France	BTAN	8.000	05/98	107.1090	+0.110	5.78	5.76	5.70
	OAT	5.500	04/04	92.7800	+0.950	6.51	6.46	6.30
Germany		6.000	09/03	98.7900	+0.400	6.17	6.30	6.20
Italy		8.500	01/04	88.4000	+0.780	8.74†	8.84	8.23
Japan	No.119	4.800	06/99	105.6880	-0.240	3.51	3.38	3.63
	No 157	4.500	06/03	102.6320	-0.630	4.12	3.86	3.96
Netherlands		5.750	01/04	95.4800	+0.100	6.36	6.37	6.16
Spain		10.500	10/03	110.4500	+0.750	8.82	9.19	8.92
UK Gilts		6.000	08/99	95-02	+8/32	7.13	7.08	6.48
		6.750	11/04	94-14	+27/32	7.52	7.49	7.09
		9.000	10/08	111-06	+34/32	7.71	7.87	7.23
US Treasury *		5.875	02/04	92-12	-13/32	6.96	6.84	6.42
		6.250	08/23	87-20	-10/32	7.26	7.17	6.89
ECU (French Govt)		6.000	04/04	93.8200	+0.210	6.90	6.88	6.60

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	3.55	Two year	5.45
Prime rate	6¼	Two month	3.58	Three year	5.89
Broker loan rate	5	Three month	3.64	Five year	6.49
Fed.funds	3½	Six month	4.13	10-year	6.96
Fed.funds at intervention	3½	One year	4.70	30-year	7.26

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	123.26	123.46	+0.28	123.72	123.22	152,206	128,465
Sep	122.52	122.72	+0.28	122.90	122.52	1,948	12,917
Dec	121.82	122.02	+0.28	121.82	121.82	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls May	Calls Jun	Calls Sep	Puts May	Puts Jun	Puts Sep
123	0.97	1.31	1.70	0.49	0.87	1.86
124	0.44	0.78	1.29	0.94	1.31	-
125	0.14	0.41	-	-	2.00	-
126	0.03	0.20	0.84	-	-	3.63
127	-	0.10	0.39	-	3.59	-

Est. vol. total, Calls 50,619 Puts 80,531. Previous day's open int., Calls 351,437 Puts 236,642.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.96	97.31	+0.41	97.57	96.90	113704	205204
Sep	96.92	97.00	+0.41	97.00	96.92	323	5800

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
9700	0.99	1.35	0.68	1.36
9750	0.72	1.12	0.91	1.62
9800	0.50	0.89	1.19	1.89

Est. vol. total, Calls 16565 Puts 15176. Previous day's open int., Calls 271811 Puts 236488

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	101.22	101.20	+0.17	101.22	101.22	20	2232

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	113.85	114.46	+0.92	114.88	113.75	43658	83692
Sep	114.10	114.08	+0.98	114.10	114.05	46	1319

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
11400	1.80	2.67	1.34	2.59
11450	1.52	2.43	1.56	2.85
11500	1.24	2.20	1.78	3.12

Est. vol. total, Calls 5225 Puts 2018. Previous day's open int., Calls 77749 Puts 73951

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	100.00	100.40	+0.54	100.49	99.98	51,446	96,174
Sep	-	99.98	-	-	-	-	-

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	107-11	108-03	+0-30	108-16	107-11	55060	149235
Sep	106-30	107-06	+0-30	106-30	106-30	2	109

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
108	1-47	2-25	1-41	3-13
109	1-18	1-63	2-12	3-51
110	0-58	1-40	2-52	4-28

Est. vol. total, Calls 1105 Puts 2714. Previous day's open int., Calls 90249 Puts 71108

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	89.78	89.96	+0.25	90.10	89.78	1,208	6,783

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	104-27	104-25	-0-01	104-29	104-20	320,322	409,499
Sep	103-31	103-27	-0-01	103-31	103-23	3,053	43,086
Dec	103-10	103-03	-0-04	103-10	103-01	793	31,320

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	110.41			110.90	110.35	2201	0
Sep	109.70			109.70	109.70	3	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Mon Apr 11	Day's change %	Fri Apr 8	Accrued interest	xd adj. ytd		Low coupon yield Apr 11	Apr 8	Yr. ago	Medium coupon yield Apr 11	Apr 8	Yr. ago	High coupon yield Apr 11	Apr 8	Yr. ago
1 Up to 5 years (23)	124.33	+0.07	124.42	1.50	3.47	5 yrs	7.16	7.19	6.09	7.39	7.43	6.95	7.53	7.57	7.16
2 5-15 years (23)	148.63	+0.54	147.83	2.01	4.03	15 yrs	7.62	7.72	7.71	7.82	7.92	7.14	7.98	8.10	6.39
3 Over 15 years (9)	167.95	+0.96	166.38	1.89	3.63	20 yrs	7.71	7.82	7.95	7.72	7.82	8.28	7.92	8.03	8.48
4 Irredeemables (6)	193.74	+1.36	191.29	3.83	1.47	Irred.†	7.86	7.96	8.35						
5 All stocks (61)	144.86	+0.47	144.27	1.84	3.76										

Index-linked							Inflation 5% Apr 11	Apr 8	Yr. ago	Inflation 10% Apr 11	Apr 8	Yr. ago
6 Up to 5 years (2)	184.77	+0.13	184.53	0.12	2.53	Up to 5 yrs	3.31	3.35	2.27	2.42	2.46	1.43
7 Over 5 years (11)	172.54	+0.39	171.85	0.91	1.29	Over 5 yrs	3.45	3.47	3.42	3.28	3.30	3.24
8 All stocks (13)	179.19	+0.36	178.55	0.82	1.41							

Debentures and Loans						5 years Apr 11	Apr 8	Yr. ago	15 years Apr 11	Apr 8	Yr. ago	25 years Apr 11	Apr 8	Yr. ago
9 Debs & Loans (78)	135.68	+0.43	135.58	1.82	3.76	8.74	8.83	8.61	8.81	8.87	9.23	8.85	8.89	9.45

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Apr 11	Apr 8	Apr 7	Apr 6	Apr 5	Yr ago	High*	Low*
Govt. Secs. (UK)	97.29	96.72	97.20	97.60	96.82	97.20	107.04	96.30
Fixed Interest	117.00	115.79	117.27	118.31	116.34	112.95	133.87	115.14

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Apr 8	Apr 7	Apr 6	Apr 5	Mar 31
Gilt Edged bargains	94.4	86.5	100.7	102.0	103.0
5-day average	97.1	104.6	112.0	111.6	114.3

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on April 11

Issued	Bid	Offer	Chg.	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Red	Price £	+ or -	1994 High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

Notes	Yield Int	Red	Price £	+ or -	1994 High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

Weisfelds give Brown Jackson cash injection

By Peggy Hollinger

The millionaire couple who created What Everyone Wants, the discounting chain now owned by WEW Group, have come to the rescue of rival Brown & Jackson, which has been in talks with bankers and potential investors for the last three weeks.

Mr Gerald and Mrs Vera Weisfeld, and a charitable trust which they founded, are injecting £6m to meet immediate working capital needs in return for a 19 per cent stake and two seats on the board.

They will have options on a further 298.8m shares at 7½p, which with the 3m shares they already own would bring their holding to 41.46 per cent for a total investment of about £28m. Brown's shares closed yesterday 1¼p higher at 4½p.

The investment is the Weisfelds' first business venture since they unexpectedly left Amber Day, as WEW was known then, just eight months after selling WEW to the quoted company for £47m in 1990. Since then, the Weisfelds, who sold their 15 per cent stake in Amber Day for £11m, have devoted most of their time to charity work.

Mr Weisfeld said he was confident he and his wife could add value to the Poundstretcher business of Brown & Jackson. "This is where our entrepreneurial flair lies," he said. The couple built their Scottish-based discount fashion retailer into a £75m business over 20 years.

The Weisfelds will be appointed non-executive directors on a salary of £15,000. They will also act as consultants to Brown & Jackson for a daily rate of £500, or a maximum of £25,000. No other changes to the board are expected in the immediate future.

The proposals are subject to the Takeover Panel waiving the requirement for the Weisfelds to make a general offer to shareholders once their stake breaches 29.9 per cent.

Brown & Jackson has been struggling to recover since the £16m rescue rights issue which brought in new management in 1992. However, poorer than expected trading at Christmas led to a profits warning in January. Last month the group announced losses of £12.7m for 1993, against expectations before the warning of a £4m deficit.

In light of the losses, banks refused to agree working capital facilities of £14m to fund peak demands in September.

Brown & Jackson said in its statement yesterday that trading had improved with like-for-like sales in the 13 weeks to April 2 about 1 per cent ahead. The company now hopes to complete the sale and leaseback of a group of properties and asset disposals which will raise £9.3m. These transactions were delayed by the difficulties with the banks.

Mr Ian Gray, chief executive, said Brown & Jackson had been negotiating with several possible investors, including Pepcor, the South African retailer. However, pressure from trade creditors meant a deal had to be concluded quickly.

A primary target for the 1990s

Simon Davies on the growing number of companies focusing on Asia

There may be an element of companies offering a relative bright spot amid the Occidental economic gloom, but one of the most notable themes of the recent UK reporting season has been the focus on investment and trade in Asia.

Hanson is to set up in Hong Kong, Virgin Megastores will appear in Hong Kong and China, and a host of UK companies have identified the fastest growing economic zones of the 1980s as their primary target for the 1990s.

British exports to Asia (excluding the Middle East and Australasia) rose 29 per cent to £12.8bn last year, while the book value of direct investment increased by 30 per cent to £11.5bn in 1992 – the latest figures available.

Some British companies have long histories in Asia, but as Mr Peter Godwin, chairman of the Asia Pacific Advisory group, says, this has tended to focus on the old colonies of India, Malaysia, Singapore and Hong Kong. These four markets accounted for 44 per cent of exports to Asia last year.

There are many more which have not been struck by the Asia Syndrome, of multiplying sales by this untapped half of the world's population.

Mr Charles MacKay, chief executive of Inchcape, a company with centuries of experience in Asia, said: "The big companies have been in Asia for some time, but many of the small and medium-sized British companies have concentrated on Europe. Now, with the fall-back in Europe, they are saying that they must do something to develop Asian markets."

On his visit to Japan and Malaysia last September, Mr John Major, the prime minister, outlined the government's determination "to give Asia a new place in our priorities". Corporate Britain is responding.

Mr John Fletcher, chairman of Trafalgar House Corporate Development, said: "It is disappointing that there isn't more British involvement in Asia. In some major markets, like Taiwan, you don't see any other major British engineering or construction companies."

Trafalgar House has completed the twin 190m high towers that will support Hong Kong's Tsing Ma suspension bridge. It will be the second longest in the world and a monument to British engineering skill – but Trafalgar admits that it remains a relatively isolated example.

Trafalgar's involvement in Asia began in 1983, when it bought 50 per cent of Jardine Matheson's construction arm, Gammon Construction. By September 1993, Trafalgar had £605m of contracts in hand in the Asia Pacific, or 54 per cent of its total. Mr Fletcher said: "We need to be in areas where there are big populations and expanding economies. I would like Asia to account for one third of turnover from construction and engineering [its two core businesses] within the next few years."

Tarmac opened an office in Hong Kong last year and other construction companies are following, but Mr Fletcher said competition was predominantly with Japanese, German and local companies, not the British.

Mr Clive Weedon, research director at regional brokers Asia Equity, argues: "British companies are coming a little late. They also don't seem to be coming with the same level of commitment as the US companies, and they can't build up the same relationships as other Asian companies."

In many cases, however, the timing is excusable. Given the distances involved, companies could be forgiven for avoiding a complex and fragmented marketplace, until it has built up critical mass in terms of spending power. According to Mr John Robinson, chief executive at Smith and Nephew, the healthcare company, the time has now come. "In the healthcare sector, we require markets with a certain level of GNP. Most of these south-east Asian economies are only just getting there," he said.

In 1993, Smith and Nephew's sales to east Asia, including Japan, grew by 30 per cent to £50m, representing 5 per cent of its £949m turnover. Mr Robinson anticipates that it will hit 30 per cent of the total within the next decade.

"The Chinese healthcare market is already the fifth largest in the world, and we don't think it is developed. I would have thought it will be worth between £35m and £50m to us by the end of the decade and it will take off thereafter. At the moment we are selling virtually nothing there."

Smith and Nephew plans to expand by setting up a network of wholly owned sales and marketing offices, rather than taking on joint venture partners. It will also manufacture some basic products. This was its strategy for continental Europe in the 1980s and that market now accounts for 20 per cent of sales.

Other companies have opted to team up with distribution companies.

Inchcape – which derives around half its operating profits from Asia – has franchises to manufacture and sell an enormous variety of western brand name products. Mr MacKay said there had been a marked increase in British companies wanting to sell into Asia.

"British companies have become a lot more competitive in recent years. Four or five years ago, we were selling a handful of Rovers in Hong Kong. Today, it has become a very successful franchise," he said.

He argued that the Asian economies would achieve average annual growth of about 6 per cent over the next six years, and some, like China, would be much greater. Even in a strong upswing, the western economies were unlikely to achieve half that.

This has been a big motivation. British Petroleum is a substantial investor in oil exploration in Vietnam, Imperial Chemical Industries has opened chemical plants in Japan and China, and GEC, through its joint venture with Alsthom, has become a force in power and engineering throughout the region.

Recent threats of discrimination against UK companies by the governments of Malaysia and China have raised some concern over the downside of investment in Asia. Thus far the only casualties are likely to be high profile engineering projects, not British brand name product sales.

Trafalgar is set to lose contracts under tender in Malaysia, but existing contracts should stretch on for another four to five years. Mr Fletcher said its John Brown subsidiary is working on a £1.5bn contract to build a petrochemicals complex for Petronas, the state oil company.

Twin towers that will support the Tsing Ma suspension bridge

In China, Trafalgar's 25 per cent ownership by Hong Kong Land – a member of arguably China's least favourite group of companies, Jardine Matheson – might be expected to hamper business. However, it has just picked up another $50m (£34m) contract for the steel industry.

Mr Godwin claims there is no evidence of British companies facing discrimination in China and political stances appear to be softening.

Analysts said that British companies with a technological edge or strong brand names can generally eke out higher profit margins than in the UK, despite the logistical costs of dealing with a distant continent. This should compensate for short-term problems.

As one Hong Kong businessman said: "In Asia, one doesn't tend to have enemies for too long, and one has to take a long-term view of the markets."

Bilton shares fall 39p on downward property valuation

By Simon Davies

Shares in Bilton, the property and construction company, yesterday fell 39p to 590p after the company announced an 11 per cent drop in the value of its property investment portfolio.

The downward valuation came in spite of the fact that companies have been reporting a sharp improvement in the UK property investment market.

The announcement accompanied Bilton's results for 1993, with the company reporting pre-tax profits of £17.4m, up from £17.1m in 1992.

The mark-down of Bilton's property values was the result of its first external valuation since 1989. Bilton had announced consistent increases from internal valuations in the previous three years, despite an unequivocally falling market. King Sturge, the chartered surveyors, valued Bilton's 7m sq ft portfolio at £312.2m, compared with a valuation of £352m in December 1992. There have been no material changes in the portfolio.

Net asset value per share amounted to 643p (739p).

Group turnover from trading activities fell from £10.4m to £9.1m, reflecting competitive market conditions.

Profit on ordinary activities at the trading level fell to £20m (£20.5m), but net interest payable was reduced to £2.6m (£3.42m). The company did not release its balance sheet yesterday, but gearing is expected to have increased marginally from the 13 per cent recorded in 1992.

Earnings per share emerged at 27.3p (26.8p) and the directors proposed a final dividend of 13.61p, making 19.28p (18.9p) for the year.

Wakebourne £19m in red

As forecast, Wakebourne, the computer support concern, suffered pre-tax losses for 1993 of £18.6m, largely reflecting the write-off in the Lantek Electronics investment.

The outcome was from turnover of £23.2m (£24.2m), including discontinued activities of £958,000 (£18.2m), and compared with profits of £453,000 for 1992. Losses per share were 3.6p, against 0.1p earnings.

Directors said that, in contrast, the UK computer support side, which makes up the principal trading activity, recorded operating profits during 1993 of £2.6m excluding discontinued activities.

QS optimistic despite reduction to £5.25m

By Peggy Hollinger

QS Holdings, the discount retailer which saw its shares plunge by more than 20 per cent following a profits warning last July, was optimistic yesterday in spite of a sharp fall in pre-tax profits from £8.47m to £5.25m. The shares closed 7p lower at 228p.

Mr Marc Walters, chairman, said there had been a strong improvement in second half sales, which was expected to continue into this year.

The first six months had been particularly difficult, with customers both cautious and extremely value conscious. Margins had declined as a result.

Sales rose 14 per cent to £58.1m for the year to January 29. Some 14 new stores were opened, making a total of 99 including the two launched since the year end. Mr Walters said this had been funded from cash resources, which stood at a net £5.7m at the year-end.

"We will continue to pursue our plan for controlled expansion," Mr Walters said, "aiming for further growth in retail sales."

The final dividend is 3.63p for a maintained total of 5.19p. Earnings fell from 14.22p to 8.49p.

Quiligotti acquisition

Quiligotti, the USM-traded tiles and flooring group, has acquired R Cristofoli, a terrazzo tile maker, from the receiver for £1.61m cash. The company has agreed to terminate finance leases in Cristofoli with a value of £40,000.

For the year to March 31 Cristofoli had turnover of £4.49m (£5.67m) and profits of £292,000 (£169,000).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Anglo-Eastern	fin	1.15	June 6	1	1.65	1.375
Bilton	fin	13.61	July 22	13.23	19.28	18.9
Burmah Castrol	fin	11‡	July 14	16.5	27.5	25.25
Chepstow Race	fin	5	June 17	1	10‡	1
Dinkie Heel	fin	0.9	July 1	0.6	1.4	0.95
Greenacre §	fin	0.18†	June 30	0.15	0.33	0.28
Ldn & Manchester	fin	10.56	June 27	9.6	15.68	14.25
Magnolia	fin	0.1	-	0.1	0.1	0.1
QS	fin	3.63	July 5	3.63	5.19	5.19
Rathbone Bros	fin	5.5	May 26	4.5	7.5	6

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Enhanced share alternative available. ‡Includes special of 5p.

COMPANY NEWS: UK AND IRELAND

Plotting a recovery course

Paul Betts on Aer Lingus's transatlantic strategy

Aer Lingus is banking on a new fleet of European Airbus A330 twin-engine widebody airliners to help return its lossmaking transatlantic routes to profit this year.

Mr Bernie Cahill, the Irish national carrier's chairman, also said the group would be back in the black in its financial year to April 1995, after reporting a loss of about I£55m (£53m) in the year just ended.

The airline's decision to lease three A330s this year to replace older Boeing 747s is the latest element in its restructuring and recovery strategy, which has involved the shedding of about 1,000 jobs in the airline and associated companies during the past six months.

The airline's transatlantic services to New York and Boston have lost some I£30m during the past three years.

However, the new aircraft, the recent removal of the obligation for Aer Lingus's transatlantic services from Dublin to stop at Shannon, and new connections from UK regional airports to link up with the airline's new non-stop services to the US, are all expected to help return the transatlantic operation to profit.

Together with the Dublin to London shuttle services, the transatlantic operations are an important revenue earner for Aer Lingus.

They accounted for about I£120m of the airline's I£500m revenues for the year just ended, according to Mr Bob Challens, the commercial director.

Mr Challens also said the airline would use its new Airbus fleet to develop a fresh corporate image for the carrier, with plans later this year to introduce a new livery for Aer Lingus.

The European Airbus 330: expected to return the transatlantic operation to profit

The A330s will also give Aer Lingus greater operating flexibility and efficiency than the older Boeing, he added.

Mr Cahill said his airline had been able to negotiate attractive lease terms for its new A330 fleet from ILFC, the California-based aircraft leasing group.

"It's a perfect time to do a deal, with low interest rates and a lot of aircraft available in the market," he added.

Aer Lingus is also continuing to explore a commercial alliance with Delta Air Lines to strengthen the reach of its transatlantic services into the domestic US market.

However, Mr Challens said he did not expect any agreement soon with Delta, and that the Irish carrier's priority was to make its current operations profitable.

"Our ultimate target is to have a healthy balance sheet in two years' time. I think we will achieve this, and we are already ahead of our targets," Mr Cahill said.

As a sign of the improved confidence in the airline's financial fortunes, Mr Cahill said two Irish banks – the Bank of Ireland and Allied Irish Banks – had restored the credit facilities they had withdrawn at the height of the airline's financial crisis.

"Our strategy now is to turn our existing operations into a profitable base, and then we will feel out the next step. We see any future expansion in co-operation with other carriers," Mr Cahill added.

Aer Lingus recently secured a I£175m support package from the Irish government, its shareholder, to back its financial recovery strategy involving an immediate I£75m injection and two subsequent injections of I£50m over the next two years.

Although this aid package was cleared by the European Commission, Aer Lingus has since been attacked by Ryanair, its smaller Irish competitor, for uncompetitive behaviour.

The Commission is now investigating a complaint by Ryanair against the national carrier, which claims there are no grounds for the complaint.

NEWS DIGEST

Anglo Eastern hits £2.8m

Profits before tax of Anglo-Eastern Plantations, which came under the control of Genton International last year, rose from £1.32m to £2.84m for the year to end-December.

Turnover improved from £4.93m to £8.01m. Crop at the Tasik oil palm estate was 63 per cent higher than in 1992 while rubber and cocoa production was up to expectations.

Earnings jumped to 7.4p (3.4p) and a proposed final dividend of 1.15p makes a 1.65p (1.375p) total.

The board intends to broaden the group's activities in the Asia Pacific region and maintain Anglo-Eastern's London listing.

Last September Chillington Corporation sold a 43.08 per cent stake in Anglo-Eastern to Hong Kong-based Genton which then made a mandatory cash offer for the balance of the shares.

Management buy-in at Ward Sacks

Ward Sacks, the paper sacks and carrier bag maker, has been taken over by a new management in a £3.93m deal.

The new team is led by Mr Trevor Maund, formerly finance director of Usher Walker, who becomes managing director, Mr Brian Sutcliffe, at present managing director of Chilwood, who becomes chairman, and Mr Neil Whatmough who is promoted from general manager to sales director.

The founders of Wards Sacks, Mr John Ward and Mr Robert Ward, retain a minority holding.

Slight pay rise for HSBC chairman

Sir William Purves, chairman of HSBC Holdings, was paid £1.06m last year, a slight increase on the £1.04m he received in 1992. The bank's pre-tax profits for 1993 rose by 94 per cent to £1.7bn.

The bank said in its annual accounts that total directors' emoluments rose from £3.8m in 1992 to £4.8m. It added that Sir William's emoluments for part of 1993 included expatriate benefits which formed "a significant portion" of the sum.

Rathbone Bros advances 29%

Rathbone Brothers, the asset management and private banking group, reported profits before tax of £5.25m for the 1993 year.

The outcome, a rise of 29 per cent on the previous year's total of £4.08m, was achieved on turnover of £17.7m (£15m).

A recommended final dividend of 5.5p brings the total to 7.5p (6p). Earnings emerged at 18.5p (16.07p).

Kitty Little French expansion

Kitty Little, the USM-traded designer and maker of consumer goods, has signed a conditional letter of intent to purchase Groupe L'Amy, the largest maker of spectacle frames in France.

The French company, based in Morez, had sales of FFr540m (£63.5m) in 1993. No purchase price was disclosed.

Dealings in the shares of Kitty Little, in which Benson Eyecare of the US owns a 28 per cent stake, were suspended at 41p yesterday at the company's own request until the transaction is completed.

Magnolia shows second half deficit

Magnolia Group, the picture frame and reproductions company, showed a small loss in the second half of 1993.

Profit before tax for the full year came through at £72,000, compared with £76,000 in the first six months. The result represented a reduction compared with £84,000 in 1992 and £401,000 the year before.

Earnings per share were lower at 1.08p (1.89p) and the dividend is held at 0.1p.

Chepstow Racecourse ahead

From turnover of £1.95m, against £1.83m, Chepstow Racecourse, which promotes and runs race meetings, lifted pre-tax profits to £388,817 for 1993, compared with a previous £247,069.

Earnings per share were 65.8p (41p) while the single dividend is boosted from 1p to 5p. Directors also propose a special payment of 5p for the year.

Current trading up to expectations and joint venture formed

Alpha Airports meets target

By Peggy Hollinger

Alpha Airports Group, the airline catering company floated by Forte in February, matched its prospectus forecast with a 19 per cent increase in operating profits to £20.6m.

Pre-tax profits, struck on pro forma turnover ahead 5 per cent to £423.3m, rose by 18 per cent to £19.2m.

Mr Richard Gold, finance director, said Alpha was optimistic about the current year in light of an expected 4 to 5 per cent increase in the number of airline passengers in the UK. "We have got a strong UK market this year," he said. "There has been quite an increase, particularly in the charter market." Current trading was "well up to expectations".

The group also announced the first of two joint ventures promised at the time of flotation. It is joining forces with British West Indian Airways at Trinidad's Piarco airport, paying £700,000 cash for a 40 per cent stake in Airline Caterers, Piarco's sole caterer, which last year generated sales of £3m.

Mr Gold said Alpha hoped to announce a second joint venture within the next three months.

The company also opened two new kitchens, in the US and Manchester. Capital expenditure during the year came to about £12m.

Net debt rose from £9.6m to £28.8m, representing 82 per cent of shareholders' funds. Mr Gold said gearing should be reduced to between 50 and 60 per cent by the end of this year.

The strongest performance came from the airport retailing business, which increased operating profits by 40 per cent to £5.9m; sales were 3 per cent higher at £213.5m.

Mr Gold said this division would benefit from the expansion plans of airport operators. "We will see quite an abnormal increase over the next few years in the UK marketplace," he said.

The airline catering division increased operating profits by 12 per cent to £14.7m on sales ahead 6 per cent to £209.8m.

Notional earnings per share were up 32 per cent on a pro forma basis at 8.89p. The company warned that the earnings figure related to Alpha as part of Forte and might not reflect the level generated as an independent company.

The first dividend will be paid at the interim stage. Forte received £33.5m in dividends last year.

Trevor Humphries

Richard Gold: expecting an increase in UK airline passengers

Fyffes in talks on European purchase

By Tim Coone in Dublin

A significant European acquisition is looming at Fyffes, the fresh fruit and vegetable distributor, which will provide a strong boost to its banana sales in the continental market.

Speaking after the company's annual meeting in Dublin yesterday, Mr Carl McCann, finance director, said that a due diligence process was under way with a European fruit distribution company, and that several other medium-sized acquisition opportunities were being considered.

He expected "as much as half" of the group's I£92m (£89m) cash hoard would be spent on acquisitions by the end of the year.

The group is aiming to sell 27m boxes of bananas this year, up from 18m in 1993, with 7m of the increase targeted for Europe. If the acquisitions were to fall through, however, the company might face difficulties reaching the target.

Interest income is projected to fall to I£6m this year, from I£9.6m which contributed 30 per cent of 1993 pre-tax profits.

Two acquisitions last year in Spain and Denmark cost I£12m. They will increase turnover by I£150m in a full year.

London and Manchester sharply ahead to £33.4m

By Alison Smith

London and Manchester, the life assurance and financial services group, announced pre-tax profits ahead from £23.4m to £33.4m over the 1993 year, helped by a sharp turnaround in non-core activities.

These non-insurance businesses – covering areas such as consumer finance, mortgage lending and a property agency – contributed £2.5m, against losses of £6.5m last time.

The greatest change was in the mortgage business, which achieved trading profits of £846,000 (losses of £3.7m), despite a £300,000 increase to £9.7m in provisions for bad and doubtful debts.

Profits from insurance activities, including a transfer of £20.6m from the life revenue account, came to £32m: comparable figures last time were £19.3m and £30.7m. Within this area, however, there was a fall of 25 per cent in new industrial branch business, where premiums are collected weekly from customers' homes.

While there was a 40 per cent rise in new regular-premium business won by the direct sales force, which operates from the 37-branch network established in 1992, there was a drop of almost one third in regular premium new business through firms acting as appointed representatives.

Mr Tom Pyne, chief executive, said the reduction was largely because ties had been broken with a number of companies, either because the amount of business generated was not worth the investment by the group, or because the group was not satisfied with the standards of selling. Appointed representatives now number about 200 – against a maximum of 600 – though the group intended to rebuild the total.

A final dividend of 10.56p is recommended, taking the total to 15.68p (14.25p). Earnings per share rose to 20.49p (14.3p).

Exports prompt leap at Dinkie Heel

Pre-tax profits of Dinkie Heel, the footwear component manufacturer, more than trebled from £201,000 to £649,000 for the 1993 year.

Turnover from continuing operations expanded 11 per cent to £7.4m (£6.67m) while exports continued to rise with a 38 per cent gain.

Directors pointed out that exports accounted for 30 per cent of total turnover. Sales to the Americas virtually doubled in 1993 and at £739,000, "this now represents the company's largest export market".

Earnings per share were 3.84p, compared with 1.31p, and the dividend is lifted to 1.4p (0.95p) with a final of 0.9p.

Sales in the UK benefited from increased sales of toe caps and of "the more robust styles of rubber sole units which have been very fashionable", directors said.

Trading results for the 1994 first quarter were encouraging, they added.

Trafalgar House sells Dukes Hotel

By Simon Davies

Trafalgar House has sold the smallest of its three London hotels, the 64-room Dukes Hotel in St James Park. The price was not disclosed, but it is understood to be at a small premium to the property's book value of some £10m.

Dukes has been sold to Franklin Hotels, which already owns the Egerton House and Franklin Hotel in Knightsbridge. The hotel had been up for sale for some time.

It is understood that initial discussions have also taken place for the sale of Trafalgar's Stafford Hotel, but its flagship property, the Ritz, was taken off the market last year, as offers did not come close to "acceptable" levels.

Franklin's acquisition has been accompanied by a financial restructuring undertaken with Hambro European Ventures.

As a result, Hambro will emerge with a 75 per cent stake in the enlarged hotel company. Mr Jeremy Hand, of Hambro, said the enlarged Franklin group would have £24m in debt and equity financing (the founders retain 25 per cent).

Leisure behind Gowrings' gain

Gowrings, the motor trading and leisure company, reported a turnround from losses of £82,000 to profits of £251,000 pre-tax in the 1993 year.

The result was achieved on higher turnover of £54.5m (£52.2m) and helped by a lower interest charge of £489,000 (£718,000) and higher exceptional credits of £157,000 (£42,000).

There was continued sustained growth in the leisure division, particularly food services. However, the motor side saw severe pressure on margins resulting in lower profits.

Earnings per share were 2.29p (losses 1.4p) and an unchanged final dividend of 1p is proposed for a maintained total of 2p.

● The company is selling a mobile home park near Oxford for £825,100, against a book value of £1.01m. It was originally acquired for £383,000 and in 1993 generated net profits of £6,000.

Reconstruction boosts Orb

Financial reconstruction at Orb Estates helped the property company, formerly known as Ossory Estates, report pre-tax profits of £8.23m for the six months to end-December, against losses of £19.8m.

The result was helped by an exceptional credit of £10.3m, being the elimination of subsidiaries in receivership, settlement with trade creditors and the write-back of liabilities to banks.

There were also lower amounts written off properties and investments of £897,000 (£8.74m) and interest charges of £2.5m (£9.94m).

Turnover was £4.04m, against £3.89m, which included £1.5m from discontinued activities. Operating profits on continuing activities were £1.62m (£1.77m).

The company said full benefits of the reconstruction were still to take effect. Court permission for the reduction of the deficit on the profit and loss account by £48m to £25m was received on February 18. A revaluation of the assets will take place at the June 30 year end.

Earnings per share were 9.12p (losses 21.82p). Adjusting for the effect of the reconstruction and taking into account the share issue, losses per share were 0.16p.

NEWS IN BRIEF

AAH has completed divestment of all its builders' supplies interests with the sale of Yorkshire Brick, a self-contained business of AAH Builders Supplies, to Marshalls. Price is £5.75m cash, subject to a maximum adjustment of £1m.

BERKELEY GROUP associate, Berkeley Eastoak Investments, has sold part of its commercial investment property portfolio in two separate transactions for £90m cash. The properties, which were mainly out-of-town retail investments, were acquired at a cost of £62m.

BLACK (PETER) Holdings, the supplier of personal care, footwear and accessories, has sold its 13 factory shops to their existing management for £3.5m. Proceeds will be used to fund the group's continuing investment in core manufacturing businesses.

BURMINE, Australian mining company, has declared its offer for Europa, the UK-quoted mining finance house, unconditional having received valid acceptances representing 74 per cent. of Europa's issued capital. Burmine also received acceptances in respect of 70 per cent of issued capital of Austmin Gold and declared its offer for this Australian mining company unconditional. This enables the three-way merger to go ahead.

ICI $10m paint investment

By Daniel Green

Imperial Chemical Industries is spending about $10m (£6.8m) expanding its US paints operation.

Through Glidden, its paints offshoot based in Cleveland, Ohio, it is buying California-based Decratrend from a subsidiary of Total, the French petrochemical group.

The purchase is part of Glidden's plans to expand outside its traditional home of the north-eastern US.

Greenacre's rise to £1.7m helped by purchases

In a year in which its operations "grew significantly" Greenacre, the USM-traded nursing home operator, reported profits up by a quarter and announced a 20 per cent increase in its annual dividend.

On turnover up from £4.82m to £7.44m, pre-tax profits for the year to end-January grew by £342,500 to £1.7m. The proposed final dividend of 0.18p raises the total to 0.33p (0.28p) – covered more than twice by earnings of 0.72p (0.57p).

The advance was boosted by acquisitions, which added £1.04m to turnover and £369,958 to operating profit.

Almost 170 beds were added during the period – the company now operates 12 homes with a total of 578 beds.

During the year further mortgage borrowings were contracted to finance development and acquisitions and net borrowings at the year-end were £4.24m, giving gearing of 31 per cent.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 12.04.94: Pool purchase price £/MWh	Final Prices for Trading on 15.03.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.13	10.57	10.57
0100	10.95	10.97	10.97
0130	16.90	15.50	15.50
0200	29.81	15.50	15.50
0230	48.00	10.95	10.95
0300	48.00	10.91	10.91
0330	46.40	10.89	10.89
0400	31.97	10.57	10.57
0430	29.81	10.57	10.57
0500	23.08	10.57	10.57
0530	16.70	10.91	10.91
0600	16.75	10.91	10.91
0630	16.85	10.97	10.97
0700	29.10	15.80	15.80
0730	34.42	15.96	18.86
0800	44.12	16.03	18.93
0830	56.54	16.03	18.94
0900	59.79	16.03	18.94
0930	55.89	16.03	18.94
1000	53.07	16.03	18.94
1030	43.71	16.03	18.94
1100	41.97	16.03	18.94
1130	40.09	16.04	18.95
1200	39.45	16.04	18.95
1230	38.04	16.04	18.95
1300	36.15	16.03	18.94
1330	34.34	16.03	18.94
1400	33.25	16.03	18.89
1430	31.72	16.03	18.93
1500	31.66	16.03	18.93
1530	31.61	16.03	18.93
1600	31.79	16.03	18.93
1630	43.55	16.03	18.94
1700	43.71	16.03	18.94
1730	43.41	16.04	18.95
1800	41.34	16.06	18.98
1830	31.18	16.14	19.06
1900	31.12	20.75	23.69
1930	31.12	20.73	23.66
2000	31.12	20.85	23.56
2030	40.03	16.03	18.94
2100	55.72	16.03	18.93
2130	55.72	15.70	15.70
2200	55.69	15.63	15.63
2230	40.10	15.53	15.53
2300	28.98	10.97	10.97
2330	23.53	10.83	10.83
2400	16.70	10.82	10.82

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-458780 between 8:30am and 5:15pm Monday to Friday
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LONDON RECENT ISSUES

Newly issued shares appear for approximately two to six weeks in the London Recent Issues table. At the end of this period, a stock is normally moved to the appropriate category of the London Share Service if the company so requests.

In the full weekday editions of the FT, published on Tuesday to Friday mornings, the table appears on the half page of London Market Statistics that also includes the FT-Actuaries Fixed Interest Indices and London traded options prices.

On Saturdays it appears in the UK Company News page, and on Mondays on the Currencies, Money & Capital Markets page.

صكنا من الاصل

FINANCIAL TIMES SURVEY

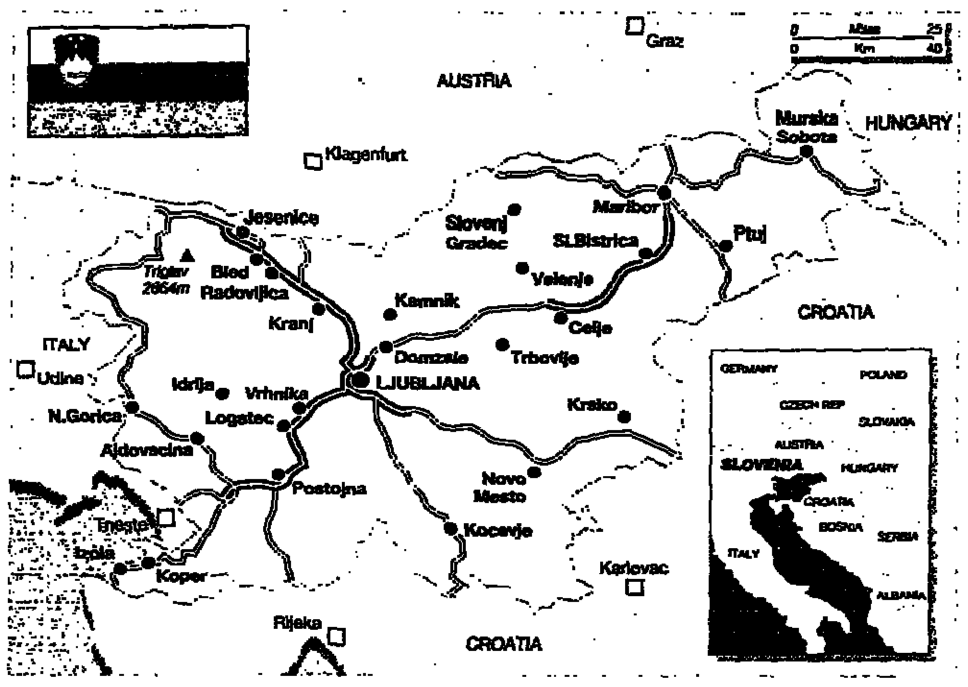
SLOVENIA

Results have justified government intervention in banking: Page II

Farm tourism is a fine way to enjoy beautiful scenery: Page III

Tuesday April 12 1994

Ljubljana is now the capital of an independent central European state



KEY FACTS

Area	20,251 sq km	
Population	2.0 million (1993 estimate)	
Head of state	President Milan Kucan	
Currency	Slovenian Tolar (SLT)	
Average exchange rate	1992 $1=SLT81.3; 25/3/94 $1=SLT133.5	

ECONOMY

	1992	Latest[1]
Total GDP ($bn)	12.24	
Real GDP growth (%)	-6.0	
GDP per capita ($)	6,120	
Agriculture as % of GDP	4.7	
Retail prices (% change pa)	201.3	24.0
Ind. production (% change pa)	-13.2	-0.6
Unemployment (% of lab force)	11.6	14.2
Reserves minus gold ($bn, Dec)	0.72	
Public external debt ($bn)	1.20	
Current account balance ($bn)[2]	0.76	
Exports ($bn)[2]	4.18	
Imports ($bn)[2]	4.13	
Trade balance ($bn)[2]	0.05	

Main trading partners (1992, % by value)	Exports	Imports
Germany	27.0	22.7
Croatia	14.2	13.9
Italy	13.2	13.7
France	9.2	8.0
Serbia-Montenegro[3]	6.0	4.4
Austria	5.1	8.1
Former USSR	3.4	4.1
EC	54.9	50.1

[1] = 1993 figures (Retail Prices - Sept; Ind. Prod.- Q3; Unemployment - Q2).
[2] = excludes trade with former Yugoslav republics.
[3] = includes most trade with Bosnia-Hercegovina until June 1992.

Source: Economist Intelligence Unit.

Small, scenic and flexible

The most successful of the former Yugoslav republics is working towards integration into western Europe. Laura Silber reports

The past is another country for the great majority of Slovenes. They feel their country has emerged from seven decades as a minor player in the Yugoslav drama to assume its rightful role as an independent, central European state.

Nearly three years after *breaking away from the* Serb-dominated Yugoslav federation, Slovenes bristle when compared to the war-torn republics further south, while breathing a sigh of relief at having escaped the war which is wrenching the lives of their *former countrymen.*

Over the past year, Slovenia has continued on its steady course, joining international financial institutions and signing several free trade agreements. By the end of 1994 it is likely to join the other post-communist *states* of central Europe as an associate member of the European Union, and has *signed up for Nato's* "partnership for peace."

Mr Janez Drnovsek, the prime minister, who heads the broadly-based coalition government, outlines a modest, pragmatic programme for the immediate future. "We will continue without making any spectacular moves, pursuing sound, moderate policies of economic development and stability," he says.

While these *aims* would be little more than a pious wish list for much of eastern and central Europe, they are a practical reality for this scenic Alpine country of 2m inhabitants lying between Italy, Austria, Hungary and Croatia.

Politically, the country is striving towards stability. Mr Milan Kucan, the president, a former communist who led Slovenia's drive for independence, remains popular, with *his* support crossing party lines. At the same time, Mr Drnovsek *has* gained ground, widening the distance between his Liberal Democrats and their next challenger, the Christian Democrats. Earlier this month his party merged with three smaller left-of-centre parties and now holds one-third of the 90-seat national assembly.

In a small country, however, small storms can sometimes take on threatening proportions. Debate has been raging *over state* security and allegations of wire-tapping, in revelations much trumpeted by Mr *Janez Jansa, the controversial* minister of defence who was ousted last month.

Economically, however, there is growing confidence that the worst of the post-independence re-adjustment is over and Slovenia is set on the *road to prosperity. This confidence* is borne out by statistics. For the first time since Slovenia declared independence in June 1991, GDP has stopped contracting. *Independence* was followed by a 10-day war against the Yugoslav *People's Army* in which a handful of Slovenes, several Turkish truck drivers and some 50 young conscript soldiers died.

After the violent break-up of Yugoslavia, *Slovenia* lost one-third of its export markets in the other former federal republics. That was a serious shock for an economy where more than 50 per cent of *GDP* is realised through trade. It led to a determined search for new markets. Last year GDP grew by 1 per cent and similar growth is forecast for 1994. Inflation dropped from 92.9 per cent in 1992 (on an annualised *average) to about 20 per cent* last year.

"There is a bit more optimism, because growth means there will be fewer social tensions and Slovenia will be more stable," says Mr Ali Zerdin, a journalist with Mladina, the independent weekly.

Last year's resumption of growth ended a two-year slump. But consolidating the recovery still depends on measures to reduce public spending and wages. For in spite of efforts to freeze wages, incomes rose nearly 14 per cent last year, to an estimated $6,050 per head. This is not *only higher than the other* former Yugoslav states but also well beyond the level of average incomes in post-communist states such as Hungary, the Czech republic and Poland, which are competing with Slovenia for investment and jobs.

A lot of painful restructuring still lies ahead, especially among loss-making heavy industry. The government plans to privatise many larger companies by the end of the year – even though this will increase unemployment, already at 15 per cent.

But the financial structure is also being over-hauled. Government experts responsible for the restructuring of banks agree that there are too many banks, and most of them are under-capitalised. As further restructuring takes place, the authorities would like to see the numbers drastically reduced from the present 32 to about six main banking institutions. They claim progress in cleaning up the balance sheets.

On the monetary front, Mr France Arhar, governor of the central bank, says that *Slovenia will continue its* highly restrictive monetary policy and keep a strong national currency. Politicians agree. "We will continue with our restrictive *monetary policies and our* balanced budget," the prime minister confirms.

The results are already tangible. The tolar (the national currency introduced in October 1991) has *remained stable* while hard currency reserves have risen from virtually zero to about $1.7bn.

While the economic picture has brightened, the question of unresolved *foreign debt* threatens Slovenia's credit rating. Government officials are anxious to settle the allocation of $1bn debt owed by the former *Yugoslavia. They feel, however,* that their creditors are expecting Slovenia – the most prosperous country born of the collapsed Federation – to shoulder an inequitable part of the burden.

But until the fighting ends in *the former Yugoslavia, Slovenia's* full potential will remain under-exploited. While nostalgia for Yugoslavia is publicly absent, Slovene businessmen admit that they look back somewhat wistfully to the old days when they had easy access to *Serbia's cheap raw* materials, easier transport links, and the 22m-strong markets of the former Yugoslav republics. All the latter are now depressed by plummeting incomes, or cut off by war and the UN embargo on trade with Serbia. While still able to trade with Macedonia, the UN ban on transhipment through Serbia and blocked access to the Danube underlines the disruptive impact of the war.

Three years ago, these almost captive markets eagerly bought Slovene products, in *particular, light industrial consumer* goods which were of higher quality than most Yugoslav products, and less expensive than those imported from *Western Europe.*

In the past, critics dismissed the prospects for Slovene independence because of its small size and population. But this now appears to be an asset. A diplomat puts it simply: "Slovenia is small enough to be *flexible." Furthermore, the volume* of Slovene exports will never be large enough to upset its neighbours, but if it is increased it will guarantee *most Slovenes a comfortable* standard of living.

While the fighting continues in Bosnia, and until the Croats and Serbs reconcile their differences, an independent Slovenia physically separates the prosperous European Union from the Balkan imbroglio further south. It sees its future as full integration into the EU and Nato. But Slovenes also worry about the cultural and economic influence of their bigger neighbours, Italy, Austria and Croatia, and how their ethnically homogeneous state will manage to preserve a culture and language which survived five centuries of Austro-Hungarian rule.

There is some ambivalence and fear over the pace of integration. For some factory managers, for example, foreign investment is still tantamount to foreign rule. But a confident Mr Drnovsek believes that Slovenia *will continue to "develop* as a stable European country" as the young state leaves the past behind.

The economy reflects consolidation and steady progress, writes Patrick Blum

Growth is expected to double

Consolidation and steady progress are the fashionable words among *economic* policy makers in Ljubljana, prompted by some of the best economic indicators in central and eastern Europe.

After the *initial post-independence* disruption, Slovenia is begining to reap the benefits of consistent, market-orientated reforms and of its disengagement from former Yugoslavia.

The economy grew by about 1 per cent in 1993. Growth is expected to double this year. Foreign reserves are at a record $1.7bn – and rising. Inflation has been brought *down from* 22 per cent a month in 1991 to less than 1.5 per cent a month now. A 1994 government inflation target of 13 per cent looks as if it will be achieved, provided that wage rises are held back and spending by local authorities is contained.

The budget deficit is small, representing less than 1 per cent of gross domestic product (GDP) last year. External indebtedness, at $1.8bn, is relatively low, although Slovenia has inherited part of the former Yugoslav debt.

The country has benefited in other ways. Under the old regime, the Yugoslav economy was already less centralised and rigid than its communist neighbours. As the richest of the former Yugoslav republics, Slovenia had a relatively modern and open economy and some of its companies were able to compete in western markets. The country's small size and homogeneous population also helped.

> The first priority is to stabilise the economy, then to encourage growth

But there were big challenges in making the systemic change. Inflation had to be brought *down, and tough* adjustments made to offset the loss, caused by the war in Bosnia and United Nations sanctions on Serbia, of about 40 per cent of export markets. With exports accounting for 60-65 per cent of GDP, losing these markets threatened a wave of bankruptcies.

In the event, most Slovene companies adjusted, mainly by slashing jobs: *as a result,* unemployment has grown to more than 14 per cent of the workforce and continues to rise. Janez Drnovsek, the prime minister, says that the government's first priority was to stabilise the economy, then to encourage a resumption of growth.

Throughout the process monetary policy had to remain restrictive and the budget had to be balanced to bring down inflation. Unemployment, Mr Drnovsek says, is unlikely to fall rapidly – even with recovery. "It was not easy during the past two years, but I think we are through the worst, and we can now envisage faster than expected economic developments," he says.

The rise of unemployment puts pressure on the budget, although the social impact has been partly offset by the large number of people working in the grey economy. Nevertheless, Mr Mitja Gaspari, the finance minister, says that social transfers are likely to rise to about 3.2 per cent of GDP this year, compared with 4.8 per cent of GDP in 1993.

Continued on Page II

SLOVENIA II

Privatisations are beginning at last

Goal is efficiency

After two years of prolonged and confusing debate, privatisations are finally getting off the ground.

About 2,500 companies with a book value of $9.8bn are earmarked for privatisation over the next two years. Many enterprises will be only partially sold under a complicated set of rules which may yet be changed because of enduring political opposition to selling enterprises to outsiders – people neither employed nor formerly employed by a company – and to foreign takeovers. But for the time being, armed with a compromise set of rules made more complicated by the need to appease critics, the government is pushing ahead.

Unlike the Czech Republic (where the government opted for a relatively quick transfer to private ownership of as many companies as possible – leaving restructuring to the new owners) Slovene companies had to restructure first because of the sudden loss of the bulk of their markets in the former Yugoslavia. They had to make painful adjustments to survive, and privatisation took second place.

In Slovenia, the objective and the methods chosen are also different. Because of the country's unique self-management system, most property is not directly owned by the state as in other communist countries. There are no clear owners and responsibility is loosely divided among company managers and workers.

This has given employees a greater say in the running of their company, but it has also encouraged high wage rises and the maintenance of the status quo – which discourages change. For these reasons, establishing ownership is an important element in the government's efforts to modernise the economy. The idea is not so much to create a nation of shareholders as to raise productivity.

"The ultimate goal of privatisation is not the distribution of shares, but to raise the efficiency of companies, and you can't achieve that without restructuring and an active owner," says Ms Mira Puc,

The Development Fund has already sold about 30 companies – another 50 are facing bankruptcy

managing director of the Agency for Restructuring and Privatisation.

The agency is one of two institutions dealing with privatisation. Its role is to supervise and advise on methods of privatisation, but it cannot sell companies, unlike the Development Fund, which is more like the Treuhand in Germany. The Fund is currently responsible for restructuring about 100 companies to prepare them for privatisation. It has already sold about 30 companies, and another 50 companies are facing bankruptcy.

But the bulk of privatisations will fall under the supervision of the privatisation agency. It is early days yet, and the agency has so far received about 215 projects of which it has approved about 80, but the list is growing every day, says Mr Joze Jaklin, the agency's deputy manager.

Companies have been given until the end of the year to prepare their privatisation project. Failing that, the agency will decide on the method. The process is unusually complex, but officials say that allowing each company to decide was deemed the most politically acceptable and least bureaucratic method.

Under the agency's guidelines, companies can choose among several methods of privatisation. Part of the shares can be distributed to various state funds, including the Development Fund, which can later sell the shares to private investment funds. A company's shares can also be sold directly or through public tender and public auctions.

Alternatively, managers and employees can opt for an internal buy-out, under which they can acquire up to 60 per cent of their company's shares at preferential terms. This includes the distribution of up to 20 per cent of shares free of charge through ownership certificates – the Slovene equivalent to privatisation vouchers – and up to 40 per cent through an internal buy out, in which part of the shares are bought at a discount for immediate cash and the rest bought over a four year period. The remaining 40 per cent of shares must be distributed among various state funds.

Depending on age, each Slovene citizen will receive ownership certificates worth DM4,000-DM6,000 which can be exchanged for shares. Shares acquired through free distribution or at a discount cannot be resold immediately.

Investment funds are being established; licences are likely to be issued by May. Some 30 fund management companies have applied to establish about 70 investment funds. These will be similar to those in the Czech Republic but, unlike the Czech funds, there are no limits on the size of the stake a fund can have in any one company. Individual funds, however, can have no more than 10 per cent of their portfolio in a single company.

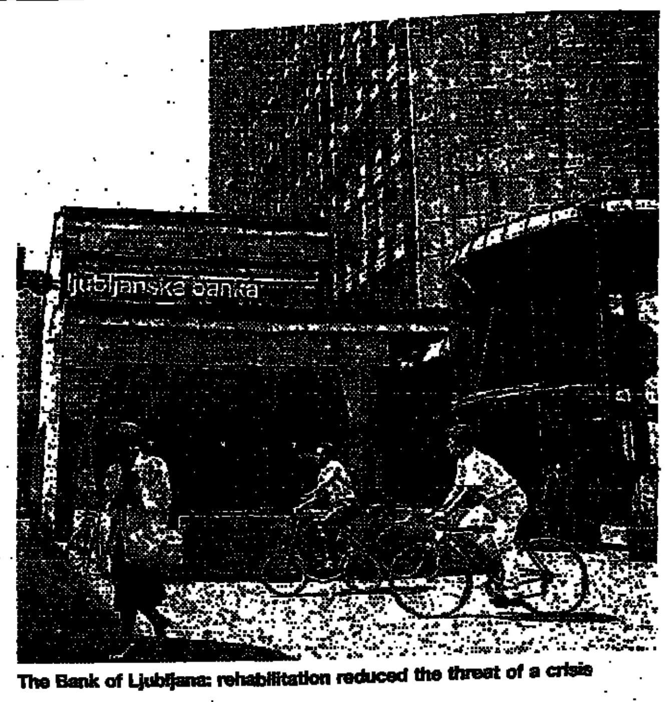
So far only six companies have been privatised by internal buyout, most of them small. Jub, the chemical company, is the largest of the group. The agency has also approved public offers for a handful of companies, including Lek, a large and successful drug manufacturer whose share offer was heavily oversubscribed. Internal buyouts are more popular, as they give employees the chance to take a stake in their own company, says Ms Puc.

"Conditions are different in each country. The political conditions here would make it impossible to do it all through the state like in Germany, because all managers here believe they already own the companies," she says.

Patrick Blum

The banking sector

Rehabilitation is only a start



The Bank of Ljubljana: rehabilitation reduced the threat of a crisis

After more than a year of reform, Mr Marko Voljc, chairman and chief executive of Ljubljanska Banka (LB), Slovenia's largest and most powerful bank, feels he can relax a little.

Its rehabilitation – the process by which its balance sheet has been partly cleaned of bad debts, and the start of a long term programme of modernisation and improvements – has already brought tangible results. The bank, which still dominates Slovenia's banking sector, returned to profits in the middle of last year. It has sharply reduced its stock of non-performing loans by exchanging tolars 90.59bn (DM1.4bn) of bad debts for government bonds, and operating costs have been cut by 15 per cent. "The results have justified the government's intervention (in the bank). Ljubljanska Banka's rehabilitation has reduced the threat of a banking crisis," Mr Voljc says.

Most bankers would agree, although few may share Mr Voljc's optimism. Rehabilitation is only the first stage in official efforts to establish banking on a normal commercial and profit basis. The process is likely to be painful, and accompanied by mergers and closures among the smaller banks. "It's a long term project that will last eight to 10 years," says Mr Jamko Dezelac, managing director of the Bank Rehabilitation Agency (BRA) responsible for cleaning up balance sheets and setting banks on the path of reform.

New regulations coming into force in January 1995 will increase competition and, it is hoped, efficiency. The central bank will make sure that banks adopt western standards of capital adequacy and risk assessment. Monopoly practices and cosy cartel arrangements to maintain high margins will no longer be tolerated. From January 1995 a full banking licence will require a minimum DM60m in capital – double the current DM30m. All this will force the banks to sharpen up. From today's 32 banks, it is also expected to lead to a dramatic reduction in the number of institutions. Almost everyone agrees that Slovenia has too many banks, and that productivity is too low. When the authorities judge that the moment is right, the banks will be privatised.

It was necessary to reduce LB's weight, to modernise the sector

Several foreign banks have shown interest. Austria's Creditanstalt and Bank Austria, and Société Générale of France have already established subsidiaries, al though foreign banks are waiting for the rehabilitation process to be completed before entering the market.

"I expect that in one or two years we could sell some banks (to foreign and domestic investors) at an honest price," says Mr Dezelac. Initially, the state will keep 10-20 per cent holdings, although the government does not want to be a permanent owner.

Originally the LB group, which consisted of several banks, had a market share of more than 85 per cent for domestic savings and more than 90 per cent for international operations. Its predominance in the sector impeded reform and undermined efforts to control inflation. "It made it difficult for us to lead a monetary policy," says Mr France Arhar, central bank governor. To modernise the whole sector, LB's weight in the system had to be reduced.

"We can't have one huge bank which controls everything. In the future, we expect that we'll have five or seven banks with a general licence, and lots of other banking institutions operating mainly as savings and co-operatives," says Mr Dezelac.

Daughter banks of the LB group are being hived off. Kreditna Banka Maribor, based in eastern Slovakia, and Komercialna Banka Nova Gorica, near the Italian border, are undergoing rehabilitation.

Public debt and bad loans in the Slovene banking sector have been estimated at about DM3bn, of which more than DM2bn are in the banking system, and DM800m in foreign exchange deposits with the former central bank of Yugoslavia. There are also claims on frozen assets in Croatia. Deposits with the former central bank of Yugoslavia are unlikely to be recovered.

Domestic bad loans remain a big problem. Mr Dezelac says that while the BRA can help the banks to restructure portfolios, it will be up to them to improve performance. "We can solve the solvency issue, but there will still be problems of cash flow and liquidity."

Privatisation and foreign investment will help, although Mr Voljc sees only a limited role for foreign investors. "I don't see Slovene banks being dominated by foreign investors. My own preference is (foreign investment of) up to 25 per cent," he says. In February the European Bank for Reconstruction and Development (EBRD) signed a DM50m loan agreement with SKD Banka, to be used in funding SKB's sub-loans for capital investment projects, start-up working capital and acquisition of shares in companies being privatised.

But in an open market the weight of foreign banks will depend on the domestic banks' ability to remain competitive. This will not be easy, admits Mr Voljc. "Companies and individuals are becoming increasingly choosy. If they can't get what they want here, they can go elsewhere, or abroad. So we have to modernise."

Patrick Blum

Trade

Exports pick up

Exports declined by 9 per cent from $6.68bn in 1992 to $6.08bn last year, writes Patrick Blum. Imports were almost 5 per cent higher, rising from $6.14bn to $6.48bn last year, causing a $400m trade deficit.

Mr Vojka Ravbar, state secretary for foreign economic relations, says exports were about 6 per cent higher than the dollar value suggests because of exchange rate fluctuations. Officials hope they will pick up again this year. Germany was Slovenia's largest trading partner, accounting for 29.5 per cent of exports, followed by Italy, Croatia, France and Austria.

There has been a big shift in exports to the west from eastern Europe and the former Yugoslavia, with the European Union now accounting for more than half of Slovenian trade. The war in Bosnia and *United Nations sanctions have* caused a halt in trade with the rump Yugoslavia, except for medicines and some foods. Trade with Bosnia has become insignificant. Trade with Croatia and Macedonia has declined considerably.

The sudden loss of more than a third of its export markets caused thousands of jobs in Slovenia to disappear, particularly among the large traditional industries based in the eastern parts of the country and around the capital. Many of these companies had a captive market of almost 24m people; they await an end to the fighting in Bosnia with the hope that they might at least win back some of their former markets in Serbia and Montenegro, as well as in the rest of the former Yugoslavia.

Slovenia has also lost ground to western competitors in traditional markets in central and eastern Europe. The former system of guaranteed markets through government agreements has ended with communism, and producers *must find their own customers* amid rising competition both from low cost eastern European producers and aggressive western companies.

Slovenia sees its future closely tied to that of the EU. A co-operation agreement was signed last year, giving tariff-free access to the EU for about 90 per cent of Slovenian industrial products, and Ljubljana hopes to conclude an association agreement with the EU this year. The government also hopes to sign a free trade agreement with Efta this year. It hopes that this will allow Slovenian exporters free access to Efta's markets before fully opening up Slovenia's own market.

Free trade agreements have also been signed with the Czech Republic, Slovakia and Hungary, opening up a market of more than 50m people. There are discussions with Poland for a similar agreement.

Economic growth is expected to double

Continued from Page I

This year's budget has yet to be discussed and approved by parliament, but it has already faced considerable opposition from ministers because of tough expenditure constraints. Mr Gaspari foresees a 1994 deficit of tolars 7bn, representing about 0.5 per cent of GDP. "We want to keep the deficit low. There will be no important changes in our orientation," he says. But the tax system is being modernised and streamlined; there are new taxes on tobacco and alcohol; and value added tax will be introduced in 1995-96. Tax collection will be improved and simplified.

Nevertheless, Mr Gaspari is cautious about prospects. "All the figures we have do not yet confirm a sustained growth pattern. Domestic consumption alone is not enough to sustain growth and it is not certain that we can continue with a restrictive wage policy." There is strong trades *union and political opposition* to cuts in real wages and living standards, and private consumption has remained high, rising by 8.8 per cent in 1993.

This is obvious in Ljubljana's commercial and shopping centre. It bustles with activity. Popular pizzerias are full of students who spend more money on their lunch than students in most other former communist countries. Slovenes had the highest standards of living in the former Yugoslavia. With per capita GDP at about $6,000 a year, it remains almost double that of Hungary and more than twice that of the Czech Republic, whose living standards are the highest among the former Soviet bloc reforming economies.

With per capita GDP at about £6,000 a year, the Slovene standard of living is almost double that of Hungary and more than twice the Czech Republic's

Such prosperity is reflected in the region's highest labour costs, although this is partly *compensated for by higher* productivity, better telecommunications and and more developed infrastructure. Productivity is estimated to have risen 3.7 per cent last year, and is expected to rise by another 2 per cent in 1994. "Productivity in Slovenia is the highest among the whole group of reforming economies in central and eastern Europe," says a senior western executive with a large joint venture in eastern Slovenia.

But the government felt compelled to introduce wage controls in 1993 and may re-introduce them this year. The prime minister worries that "high wages are a problem which can endanger the competitiveness of our companies." He complains that managers and workers in self-managed companies have been used to awarding themselves excessively high wage rises – he hopes this will stop once companies are privatised and face market pressures.

Dissolution of the former Yugoslav market meant that companies lost access to cheap materials and inputs. Now they need to reduce costs by *modernising production lines* and developing new products – and looking for new markets. *But with real interest* rates at about 12 per cent for prime customers, and 18 per cent for others, companies say they cannot afford to borrow and invest. Government efforts to force interest rates down more rapidly failed, as the banks fought to hold on to their margins, but rates are now falling very gradually.

Meanwhile, foreign investment is being officially courted, *although there is still considerable public resistance* to selling Slovene companies to foreigners. There are more than 3,000 joint ventures with foreign partners, and more than $1bn of foreign capital has been invested since 1990.

Mr France Arhar, governor of the central bank, leads the charge against popular fears of foreign investment. "A small economy must have an open market for capital movements, goods and services. This is a precondition if we want to maintain or increase production."

Privatisation and foreign investment are expected to accelerate the pace of restructuring, which until now, critics say, has consisted mainly of cutting jobs rather than modernising production to meet higher western requirements. With domestic demand expected to stagnate this year, growth prospects continue to *depend mainly on higher* exports and recovery in Europe.

Foreign policy has its back to the Balkans, reports **Laura Silber**

Two-pronged strategy

Describing Slovenia's foreign policy, Mr Lojze Peterle, the foreign minister, outlines a two-pronged strategy aimed at reinforcing regional integration within the post-communist central European states and the European Union. "Slovenia will become an associated member of the EU by the end of 1994," he predicts, noting that the EU accounts for 70 per cent of Slovene trade.

In an effort to enhance regional co-operation, Slovenia has joined the Central European Initiative and the Visegrad group, which includes the Czech Republic, Hungary, Slovakia and Poland. Following their lead, Slovenia joined Nato's "partnership for peace" in March, described by Mr Peterle as a "very important step in easing our worries about security" after nearly three years of war in former Yugoslavia.

It is not clear how membership will work if Slovenia remains subject to the UN's arms embargo, applied to all former Yugoslav republics. Mr Janez Jansa, the defence minister, has insisted that the embargo be lifted, so that Slovenia can co-operate with the Nato programme. "During this last year we accomplished everything we wished. The only problems were the embargo and the question of succession in former Yugoslavia," explains Mr Peterle. Slovene politicians say that the question of succession – dividing up the former federal republic's assets and liabilities – may take time to resolve, amid a host of claims.

While succession talks continue in Geneva, Slovenia will not grant diplomatic recognition to the rump Yugoslavia, says Mr Peterle. But he hopes for the rapid stabilisation of the region – especially for an end to the war in Bosnia.

Slovenia has denounced Serbian aggression. Last autumn, senior Slovene officials were implicated in arms smuggling operations to Bosnia. Officials (speaking anonymously) claim that the operations were a bid to help Croatia and Bosnia against the Serbs, but sceptics says the motive was profit. Mr Peterle dismisses the scandal as a "transitional period" in Slovenia's short history as an independent state.

Slovenia wants reciprocal representation for its minority in Italy

Convinced that European integration depends on resolving disputes with its neighbours, Slovenia has concentrated on improving its relations with Croatia. Once united against domination by Belgrade, they are locked in a quarrel over a tiny stretch of frontier.

Over the past few months Slovenia and Croatia have signed six agreements (including trade and fishing) and convened working groups to deal with remaining points of difference. "They have a hot-cold relationship. But now it seems, after a year, that they are trying to get it on a reasonable footing," says a western diplomat. However, according to recent newspaper polls conducted in both capitals, there remains a high degree of mutual suspicion.

Ahead lies the question of financing Krsko, the jointly-owned nuclear power plant which supplies energy-starved Croatia. Zagreb has agreed to pay one-third of the $25m owed to the plant, and the rest by August.

The Bay of Piran, in the Adriatic, is another problem. Croatia wants to divide the bay in half; Slovenia insists that the waters were under Slovene police jurisdiction when the two countries broke away from Yugoslavia three years ago.

Relations with Italy, on the other hand, have improved considerably. Italy has riled Slovenia from time to time, by demanding the restitution of property rights to Italians who, after the second world war, were displaced from Istria, a stretch of the Adriatic coast which belongs mostly to Croatia.

Slovenia has called for reciprocal representation for its minority across the frontier in Italy. "Some 3,000 Italians have their legal representative in the Slovene parliament," says Mr Peterle, "Slovenes should have the same rights."

Like most Slovenes, Mr Peterle has adopted a pragmatic approach. Slovenia, he explains, must push forward with European integration. "We will start negotiations this spring. We have a lot to do. Hundreds of laws must be changed – and in the meantime we will forge closer co-operation with central Europe."

The tourist industry wants Slovenia reinstated as a holiday destination

Lunch on the family farm

Swimming pools, horseback riding, tennis courts – all these and more can be enjoyed at more than 100 farms open to holiday-makers in Slovenia, writes Laura Silber.

Take, for example, the Vhrovec family farm, tucked into a hillside in Ivancna Gorica, in the heart of Slovenia. The farm boasts scenic walks, horse-drawn carriage rides, or a visit to the nearby 12th century Sticna monastery. In the cosy dining room, heated by a porcelain stove, young Ms Damjana Vrhovec offers her guests home-made wine and schnapps before her mother, Majda, finishes cooking lunch.

Farm tourism has been popular for years. "We can give visitors whatever they want – single guests, city families who want to learn about life on a farm, elderly couples who have come for the scenery and excellent food," says Mr Gregor Bogataj, representative for Vas, a co-operative tourist agency founded by farmers.

Farms dot Slovenia's varied countryside, which sweeps down from the Julian Alps over valleys and plains to the Adriatic coast. Gorenjska, the Alpine region, with glacial lakes and evergreen forest, offers outdoor pursuits from mountaineering to golf. Stajerska, to the east, is renowned for wine, beer, and its rejuvenating thermal springs. Primorska, hugging 46km of Adriatic coastline, has haunting karst limestone caves.

But in spite of the magnificent scenery, some in the tourist industry complain that the country's 100,000 beds are not fully booked except at the height of the summer season; they want to reinstate Slovenia as a travel destination for foreign tour operators.

"Unfortunately geography is not most people's strong subject"

Before the break-up of Yugoslavia, Slovenia was a stop for coach tours en route from Venice to Vienna. Hotel capacity was filled as groups headed for holidays in Dubrovnik or other favourite spots on Croatia's Dalmatian coast. But Slovenia disappeared from the travel brochures after the 10-day war against the Yugoslav army, followed by independence in June 1991.

It has been difficult to erase those images of violence, or to convince prospective foreign tourists that the internecine fighting further south is far away enough for them to be completely safe in Slovenia. Mr Janez Repansek, an adviser to the government on tourism, says: "Unfortunately geography is not most people's strongest subject. Many have trouble locating Slovenia on the map ... we still must convince them that Slovenia is no longer part of former Yugoslavia." And he adds: "Even our crime rate is below the European average."

In spite of these difficulties, tourism in 1993 earned $800m in hard currency – the largest single earner (taking into account private transactions). Foreigners accounted for $1.6m out of 5.3m nights last year, a 25 per cent increase over 1992. Mr Repansek says: "It is slowly changing for the better. Foreign guests who come here realise there is nothing unusual – no war, no soldiers and no refugees. They find they are on holiday in a normal central European country." His job is to reassure tour operators that Slovenia is a high quality product offering good value. "British tour operators have promised to come back. They say it is not a question of improving the product – they are waiting for their clients to be ready to come."

Meanwhile, plans are under consideration to establish a five-star hotel in Ljubljana, the capital, which is built on the ruins of the Roman city of Emona, where the river Ljubljanica flows past baroque spires. Adria, the national carrier, has resumed daily flights from London.

Tourist officials also smile delightedly at Slovenia's medal-winning performances at the winter Olympics in Lillehammer. They regard these as the best promotion for Slovenia's winter sports, where tourists can choose between the unspoilt Alps, the birch forests of the southern Bela Krajina region and Lipica, the village where the famous Lippizaner horses were originally bred.

But if foreigners really want to enjoy Slovenia, the best holiday is on a farm. The Vrhovec family and dozens of others will be waiting to offer warm plates of strukljt (a Slovene crépe, prepared in some 70 different sweet or savoury ways), and cellars filled with bottles of home-brewed wine.

Gavin Gray profiles Henkel Zlatorog, the cosmetics company

Costs cut at all levels

On the face of it, Slovenia looks one of the least promising countries in central and eastern Europe for consumer goods producers. Average wages and production costs are the highest in the region and, with a population of only 2m, the country's domestic market is smaller than many cities in Europe.

Things seemed very different in May 1990, when Tovarna Zlatorog, the soap and cosmetics factory in Maribor, signed a joint venture agreement with Henkel, the German personal care products company. The two companies had been working together since 1968, both informally and through trade agreements. They hoped that setting up a joint venture would cement their relationship and help the factory lift its market share in the 23m strong Yugoslav market.

"The aim of the joint venture was to cover all of the former Yugoslav market," says Mr Ernst Hackel, a member of the board of Henkel Austria. "During the first year we ran into difficulties because we couldn't trade with Yugoslavia. After 1991, Henkel Zlatorog faced many problems."

Instead of pulling out after the break up of Yugoslavia, Henkel pressed ahead with the venture. In March this year it lifted its stake in the company to 51 per cent and it has invested DM20m so far, including DM5m for washing powder production. While new equipment has improved efficiency, the size of the workforce has shrunk from 1,264 when the joint venture was signed, to 591 today.

"The whole process of production has been changed to cut costs at all levels," adds Mr Andrej Mesaric, general director of Henkel Zlatorog. "Our western partner brought knowledge of production and the way a company should be run. Henkel not only cut the number of employees but also cut production costs, leading to a rise in productivity."

The factory is now producing cosmetics for Henkel Austria and is also exporting cosmetics to Romania. Even so, turnover is still down sharply, having fallen from DM200m in 1990 to DM110m in 1993. "Without Henkel we would have had considerable difficulties in surviving," says Mr Mesaric.

Henkel Zlatorog's managers are looking forward to the revival of their old markets in other former Yugoslav republics. In 1993, about 10 to 15 per cent of its sales were in Croatia and a further 3 per cent were in Macedonia.

Mr Hackel says: "If these trends continue, our market will rise in the next two to three years, from the present 2m in Slovenia to 10m people when these other former Yugoslav republics are taken into account."

Foreign investment is needed – and controversial, writes **Patrick Blum**

Legislation follows the EU line

Foreign investment has proved almost as controversial as privatisation, although both have a prominent role in the government's strategy to modernise the economy. Selling Slovene companies to foreigners is not popular, but officials are convinced it is only a question of time before more people recognise the benefits.

"People are not very keen on foreign investment, but (their attitude) is changing. Many people want to buy their own company, but when they see the company cannot survive (without new capital and technology) they'll accept foreign investment," says Ms Mira Puc, managing director for the privatisation agency.

Foreign investment in Slovenia has been relatively small during the past 25 years, representing less than 8 per cent of aggregate gross domestic product, or 0.3 per cent of average annual GDP, according to the Vienna Institute for Comparative Economic Studies.

One of the reasons was the restrictive investment regime which limited foreign investment to contractual joint ventures in which the foreign partner could participate in the management of the company and share in the profits, but had no ownership rights. These contractual joint ventures were essentially quasi-credit arrangements making possible duty-free imports of machinery and equipment.

Regulations were substantially liberalised in 1988, leading to more foreign investment. Slovenia, with less than 9 per cent of the population, received more than 25 per cent of total foreign investment in the former Yugoslavia between 1988 and 1991. Since 1988, more than 3,000 investment projects were realised with foreign investment of about DM1.8bn.

Over the years, the largest share of foreign investment has gone into manufacturing, followed by construction, trade, tourism and business services. Manufacturing investment has been concentrated in transport equipment, chemicals, electric appliances, and food and beverages.

The biggest investor has been Germany, with DM721m invested at the end of September 1993

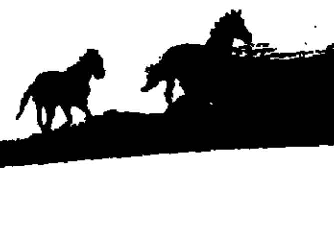
The biggest investor has been Germany with DM721m invested at the end of September 1993, followed by Austria with DM 332m (but with the largest number of investments), Italy with DM257m, and France with DM115m.

The new law allows for 100 per cent foreign ownership, although there are still restrictions limiting investment in sensitive sectors such as defence, aviation, telecommunications and the media. Foreigners cannot own land, although a joint venture with a foreign partner can.

The law acted as an incentive, but the break up of Yugoslavia and the onset of war frightened off many investors. Now the prospect of peace in Bosnia and, at some stage, of an end to UN sanctions against Serbia, is also encouraging investors to look again at Slovenia.

According to a recent Slovene government survey, most investors are attracted to Slovenia by the prospects of higher profits; building or expanding their markets in the region - including those in the much larger former Yugoslavia; the availability of a skilled labour force and low production costs compared with western Europe.

A stable legal framework for investors is gradually being put into place and this should also help. A new company law based on German company law was passed last June, bringing legislation into line with that in the European Union. Corporate taxation at 30 per cent is low, and new companies are exempt from tax in their first year.



COMMODITIES AND AGRICULTURE

Opec stresses discipline as production rise reported

By Robert Corzine

The Organisation of Petroleum Exporting Countries yesterday reminded members states of the importance of production discipline amid reports that its output in March exceeded the 24.52m-barrels-a-day ceiling.

Dr Subroto, secretary general, said "the most important thing now is production discipline". He thought prices in the second quarter, usually the weakest period for demand, would "not be too bad" if discipline was maintained.

He said final Opec production figures for March had not been compiled, although he acknowledged that they were likely to show a slight increase. Yesterday the Middle East Economic Survey reported that Opec output was 24.99m b/d last month, up from 24.76m b/d in February.

Dr Subroto, in London to attend a conference on Opec's future, said the lack of cohesion among some of its biggest producers was one of the causes of the present problems.

Sheikh Ahmed Zaki Yamani, the former Saudi Arabian oil minister, told the conference Opec states were divided into two camps. The interests of big producers with spare capacity – Saudi Arabia, Kuwait and Iraq when it is allowed to resume exports – lay in "high volumes, low prices and expanding markets". Most of the other nine members, however, had little spare capacity and were mainly interested in price increases.

Norwegian forecast increased

By Karen Fossli in Oslo

A fresh assessment of Norwegian oil and natural gas liquids prospects has indicated that output will peak in 1996 at 2.85m barrels a day, about 350,000 b/d more than predicted earlier and 19 per cent above the 1993 level.

According to a study soon to be released by Wood Mackenzie, the Edinburgh-based energy consultant, Norway will retain its number one ranking among western European oil producers throughout the 1990s.

WoodMac forecast earlier this year that production would peak at a daily rate of 2.5m barrels and that Britain might take over as western Europe's top producer. But the new assessment sees Norway maintaining production above 2.5m b/d throughout the 1990s. This will be achieved mainly by extended peak contributions to overall output by the existing Statfjord, Gullfaks, Oseberg and Snorre fields.

The consultant sees comparable UK production being maintained at a steady level of 2.4m b/d during the 1994-96 period while Norway's output will go from strength to strength, rising from 2.38m b/d in 1993 to 2.67m b/d this year, and shooting up to 2.82m in 1995 and 2.85m in 1996. In 1996 new field developments could be producing about 650,000 b/d, but existing fields are still expected to account for over 75 per cent of total output.

Annual Norwegian gas sales are forecast to reach 63bn cubic metres by early next century, more than double the 1993 level of 29bn cu m.

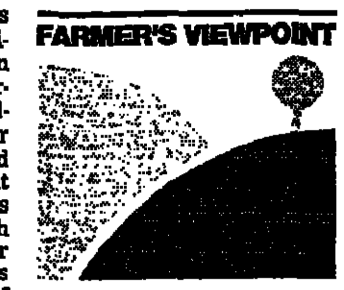
WoodMac says the level of forecast capital expenditure for Norwegian offshore developments is significantly higher than estimated last year, when it was thought that capital expenditure would decline steadily through the 1990s to about NKr20bn by the turn of the century from the 1993 peak of NKr53bn.

"Despite the forecasted lower levels of future capital expenditure we estimate that around NKr210bn (nominal) will be invested offshore Norway over the next five years. Our NKr30bn per annum is expected to be spent until after the year 2000," WoodMac forecasts.

Market forces leave UK research in limbo

Funding cuts have left a yawning gulf between pure and applied agricultural science

FARMER'S VIEWPOINT



By David Richardson

The name of John Innes will always be associated chiefly with garden compost. But an equally important contribution to agricultural science from the founder of the firm that originated plant nutrient analysis for that growing medium was his endowment of the research institute bearing his name. For many years the institute has been under the management of the UK Ministry of Agriculture and a few weeks ago the Cambridge Laboratory and the Nitrogen Fixation Unit were incorporated into it under the umbrella title of The John Innes Centre.

Situated on the outskirts of Norwich, the centre is now a power house of basic, strategic research into all aspects of agriculture and its scientists co-operate closely with the Sugar and Food Research Institutes and University of East Anglia, which share the same science park.

Last Friday Mrs Gillian Shephard, the Minister of Agriculture, visited the centre to review some of its work. In particular she looked at pioneering plant breeding methods that may enable oilseed rape to become one of the most versatile plant species in the world.

Scientists told the minister how, by using transgenic techniques, they hoped to be able to create several new varieties of the crop. Each would have its own characteristics, which would enable the oil produced to be used in particular industrial processes from lubricants and industrial nylon to cosmetics and detergents. Furthermore these oils could replace the non-renewable, fossil feed stocks now used for such processes and both the agronomic and industrial implications are environment friendly.

"It is our job," one scientist told the minister, "only to develop the technology." And he conceded that the ministry was funding this basic research to the tune of £1.4m. Having developed the technology, however, under the terms of its remit the centre is forced to rely on industry to exploit and commercialise the science.

In the case of new oilseed rape varieties there is no shortage of commercial interests ready to take on the exploitation. But when new technology fails to indicate almost immediate economic opportunities, or when a promising product is so new that there is no immediate market for it, the work is not always developed to full potential.

Previous ministers of agriculture have seen fit to cut expenditure on agricultural research and in particular that sector of the work dubbed "near market". In other words to concentrate on basic research but to leave its application to commercial interests.

Since 1985, for instance, £58m has been lopped off the ministry's annual research budget – most of it from the "near market" sector. That has also included cuts in expenditure on extension and advisory services, which previously assessed and disseminated scientific developments to both farmers and the wider agricultural industry.

Ministry expenditure on agricultural research remains substantial at £128m a year. But many scientists and farmers now believe that the virtual removal of the applied sector from government funding has left a yawning gulf between scientific ivory towers, like the John Innes Centre, and the people on the ground who could benefit from their work.

Attempts are being made to bridge that gulf by farmer-funded schemes that concentrate on applying research. Cereal growers, for instance, contribute to such work via a statutory levy on all grain sold; and sugar beet growers fund the vast majority of research work on that crop through a long standing R & D levy.

This week milk producers will be invited to vote for or against a levy on all milk sold after the winding up of the Milk Marketing Board. The levy, which is likely to be fixed in the first instance at 0.04p per litre, would raise some £4.5m per year for research and market development and fund a new Milk Development Council.

There can be no doubt that the new body is necessary and it is almost inconceivable that milk producers will vote against it. But many farmers have grown used to free access to research over the years and it now offends them to have to pay. Such feelings are exacerbated by the fact that even ADAS, the government's advisory service for farmers, has now gone commercial. Even to have the right to telephone an advisory officer, who, a few years ago, would have given his full management or agronomic services free of charge, now costs an annual subscription of £225.

That, of course, is the reality of market forces and undoubtedly farmers will have to get used to the change of culture. Nevertheless if, as seems probable, valuable and expensive government funded basic research is failing to be applied because of the lack of a co-ordinated approach it may be necessary, in order simply to get value for money, for the ministry to reinstate some of its "near market" activities.

Labour shortage delays rubber tapping

About 540,000 hectares of rubber trees on Malaysian smallholdings are still untapped, mainly because of a shortage of workers, the Rubber Industry Smallholders Development Authority said, reports *Reuter from Kuala Lumpur.*

Mr Shahabuddin Shafie, the authority's director-general, was quoted by a local newspaper as saying that the figure accounted for 30 per cent of the 1.8m rubber trees in Malaysia.

"The industry is facing a serious shortage and that is why the trees have been left untapped," he said. "People prefer to work in factories than in rubber smallholdings and if left unchecked [this] will affect the rubber output."

Malaysia's rubber output fell to 1.07m tonnes in 1993 from 1.17m tonnes in 1992.

The country's central bank, in its 1993 annual report, said that production in the smallholding sectors, which contributed to 70 per cent of the country's output, declined by 3.5 per cent in 1993 to 851,800 tonnes.

The authority is looking into ways of curing the labour shortages in the country's rubber industry. "This will include increasing the wages of rubber tappers to as competitive as those in the construction or the industrial sectors," Mr Shahabuddin said.

Wood pulp prices go higher still

By Bernard Simon in Toronto

North American and European wood pulp producers are taking advantage of unexpectedly strong paper markets to push through another hefty price increase.

Several companies have notified customers of a 10 per cent rise in northern bleached softwood kraft pulp, the industry's staple product, bringing the price to US$560 a tonne.

The latest increase means that pulp prices have soared by more than 40 per cent since the market first came to life last autumn, but they remain far below the peak of $840 a tonne reached in the late 1980s.

Mr Roger Wright, a UK-based pulp and paper consultant, said there was "a 50-50 chance" of prices rising to $600 a tonne by the end of the year, but he predicted some weakening before then. Mr Timo Poranen, chief executive of Metsa-Serla, the Finnish forest-products group, forecast a price of about $550 at the end of 1994. Mr Poranen said that the pulp market had undergone an important structural change in recent years, as a widening variety of grades had lifted total stock requirements.

Demand for paper is especially strong in Europe, where prices for printing and writing grades rose by 10 per cent in the first quarter and are expected to climb by a similar margin over the next three months. Mr Wright said that delivery times had lengthened from two weeks last autumn to between nine and 12 weeks.

Pulp prices have also responded to disruptions in wood supplies from Russia and Finland, and higher prices demanded by eucalyptus wood-lot owners in Spain and Portugal.

Pressure to rebuild stocks has been heightened by fears of a strike at British Columbia pulp mills later this year.

But many of these factors could prove temporary, with wood and pulp supplies rising sharply later in the year. Mr Wright said that past experience indicated that pulp producers "shoot themselves in the foot when they're in a strong position".

MARKET REPORT

Coffee at fresh peaks

COFFEE futures surged in late trading yesterday as markets on both sides of the Atlantic chased each other to fresh peaks.

At the London Commodity Exchange the July position closed at $1,468 a tonne, up $31 on the day, after earlier dipping to $1,423. "There's still no sign of the anticipated correction," one trader said. Another noted that the market was looking relatively comfortable at these prices, reflecting tight robusta supplies.

London Metal Exchange **COPPER** and **ALUMINIUM** prices moved higher in tandem towards the end of the after hours "kerb" session, with the latter looking set for further short-term gains, dealers said. Aluminium recovered well from a midday slip below $1,330 a tonne, for three months metal, and with buyers prepared to defend $1,320 prices pushed up to $1,329, up $5 from Friday's kerb close.

The **GOLD** price slipped rapidly in the afternoon at the London Bullion Market to fix at its lowest level since March 10, as dealers reacted to fresh selling, mainly of silver, at the New York Commodity Exchange.

By the close it stood at $380.75 a troy ounce, down $5.45 on the day. Silver was down 7 cents at $5.42½ an ounce.

Compiled from Reuter

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1299.5-300.5	1324-4.5
Previous	1294.5-5.5	1319-20
High/low		1335/1324
AM Official	1305-6	1329.5-30
Kerb close		1329-30
Open int.	259,856	
Total daily turnover	49,084	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1300-03	1312-5
Previous	1290-5	1303-5
High/low		1330-15
AM Official	1317-20	1325-8
Kerb close		1317-18
Open int.	4,726	
Total daily turnover	884	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	443-4	457-8
Previous	438.5-9.5	452.5-3.0
High/low	441/440	459/453
AM Official	440.5-1.0	453-3.5
Kerb close		458-8.5
Open int.	34,015	
Total daily turnover	7,661	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5450-60	5510-20
Previous	5465-75	5530-35
High/low	5439/5435	5540/5470
AM Official	5439-40	5507-09
Kerb close		5530-35
Open int.	46,610	
Total daily turnover	11,075	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5440-50	5495-500
Previous	5455-60	5512-15
High/low		5520/5480
AM Official	5445-50	5500-05
Kerb close		5520-25
Open int.	19,055	
Total daily turnover	4,299	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	930-1	952-3
Previous	929.5-30.5	950-1
High/low		954/948
AM Official	927.5-8.5	947.5-8.5
Kerb close		953-4
Open int.	105,315	
Total daily turnover	26,364	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1869-70	1884-5
Previous	1873-4	1889-89.5
High/low		1893/1882
AM Official	1870.5-71	1886-6.5
Kerb close		1889-9.5
Open int.	201,553	
Total daily turnover	46,749	

■ LME AM Official £/$ rate: 1.4757
LME Closing £/$ rate: 1.4725

Spot:1.4715 3 mths:1.4668 6 mths:1.4636 9 mths:1.4621

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Apr	87.40	+0.95	87.40	86.00	698	413
May	87.35	-0.75	87.45	85.90	26,123	3,907
Jun	87.45	+0.70	-	-	706	1
Jul	87.60	+0.70	87.70	86.20	17,349	1,809
Aug	87.60	+0.70	-	-	437	40
Sep	87.65	+0.70	87.70	86.30	4,878	336
Total					N/A	N/A

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	380.50-381.00	
Opening	385.00-385.40	
Morning fix	384.90	260.772
Afternoon fix	381.75	259.042
Day's High	385.20-385.60	
Day's Low	380.10-380.50	
Previous close	386.00-386.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.38	6 months	3.73
2 months	3.45	12 months	4.17
3 months	3.52		

Silver Fix	p/troy oz.	US cts equiv.
Spot	369.60	545.50
3 months	374.10	550.45
6 months	379.05	556.60
1 year	385.55	570.95

Gold Coins	$ price	£ equiv.
Krugerrand	386-389	262-265
Maple Leaf	391.50-393.95	-
New Sovereign	91-94	62-65

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	377.9	-6.3	383.8	377.3	1,428	616
May	378.9	-6.3	-	-	-	-
Jun	379.9	-6.4	386.3	379.5	82,462	21,882
Aug	382.5	-6.4	388.0	382.0	9,751	1,023
Oct	385.3	-6.4	390.0	384.3	5,082	67
Dec	388.2	-6.4	395.0	387.5	14,231	679
Total					138,059	24,362

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	394.4	-9.6	404.5	397.5	148	14
Jul	397.4	-9.6	407.9	396.0	20,869	2,096
Oct	398.5	-9.4	409.0	398.5	1,776	58
Jan	399.1	-9.4	409.0	401.0	623	14
Apr	400.3	-9.4	411.0	405.0	833	23
Total					24,249	2,205

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jun	132.60	-1.35	133.75	132.50	3,765	284
Sep	132.60	-1.35	133.50	133.00	420	1
Dec	132.60	-1.35	-	-	262	-
Total					4,447	285

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	525.7	-22.5	542.0	542.0	-	-
May	526.5	-22.7	547.0	526.0	67,130	13,542
Jun	528.5	-22.7	-	-	11	1
Jul	530.6	-22.8	552.0	530.0	21,431	1,876
Sep	535.1	-22.8	556.0	534.0	5,688	151
Dec	541.9	-22.8	562.5	540.0	10,210	472
Total					115,852	16,051

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
May	15.77	+0.20	15.77	15.50	88,184	30,885
Jun	15.77	+0.20	15.77	15.52	84,177	22,610
Jul	15.81	+0.17	15.81	15.60	42,640	9,699
Aug	15.89	+0.16	15.90	15.72	25,149	5,721
Sep	15.88	-	-	-	22,199	1,071
Oct	15.97	-0.01	15.90	15.90	13,265	1,087
Total					409,405	74,415

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
May	14.62	+0.26	14.65	14.38	42,811	15,064
Jun	14.51	+0.25	14.53	14.27	52,505	14,944
Jul	14.52	+0.17	14.58	14.31	20,091	1,078
Aug	14.60	+0.17	14.63	14.38	12,348	408
Sep	14.68	+0.11	14.68	14.47	7,387	310
Oct	14.67	+0.01	14.68	14.55	3,042	13
Total					144,488	31,792

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
May	45.40	+0.34	45.40	44.90	43,961	11,634
Jun	45.20	+0.16	45.25	44.85	39,274	4,445
Jul	45.65	+0.26	45.65	45.30	29,786	1,674
Aug	46.25	+0.16	46.25	46.00	11,790	720
Sep	47.15	+0.11	47.25	47.25	9,434	631
Oct	48.10	-	-	-	6,831	160
Total					189,852	19,726

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	149.75	+3.00	150.00	146.75	15,090	7,603
May	145.75	+2.75	145.75	143.25	26,772	8,292
Jun	144.50	+2.25	144.75	142.50	20,505	1,405
Jul	144.75	+1.75	145.00	143.00	13,883	515
Aug	146.25	+1.75	146.50	144.50	5,629	343
Sep	148.00	+1.25	148.00	146.50	3,778	66
Total					110,856	18,892

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
May	2.090	+0.024	2.095	2.030	20,278	3,515
Jun	2.095	+0.014	2.100	2.060	12,161	1,616
Jul	2.092	+0.006	2.095	2.065	10,939	2,143
Aug	2.110	+0.004	2.110	2.090	10,436	648
Sep	2.140	+0.007	2.140	2.125	10,662	343
Oct	2.175	+0.002	2.175	2.160	6,579	193
Total					121,002	9,194

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
May	48.70	+0.24	48.70	48.10	53,715	14,230
Jun	48.95	+0.18	48.95	48.50	32,953	7,499
Jul	48.95	+0.13	48.95	48.60	16,247	2,899
Aug	48.45	-0.07	48.50	48.35	10,302	1,565
Sep	48.15	-0.37	47.60	47.60	6,531	979
Oct	46.45	-0.17	46.45	46.35	1,198	53
Total					123,102	27,189

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	112.35	-	113.65	112.35	1,408	121
Jun	113.15	+0.05	114.25	113.20	871	80
Sep	93.65	-	-	-	412	-
Nov	95.05	+0.15	95.10	95.00	1,218	30
Jan	96.95	+0.05	-	-	688	-
Mar	98.75	+0.25	98.75	98.75	284	5
Total					4,861	266

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	331/2	-9/4	338/4	328/0	63,360	13,340
Jul	325/6	-7/2	329/0	322/4	114,810	29,780
Sep	327/2	-8/0	330/4	324/6	24,355	1,745
Dec	336/2	-8/0	340/0	332/6	30,415	1,680
Mar	338/0	-5/0	340/0	336/0	1,370	10
May	334/0	-	-	-	5	-
Total					234,695	46,785

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	268/2	-5/6	273/4	268/0	466,370	75,125
Jul	272/2	-5/2	276/6	271/4	616,310	61,895
Sep	263/2	-3/2	266/6	263/0	136,720	7,410
Dec	255/4	-1/6	258/4	255/2	341,735	29,885
Mar	262/0	-1/4	264/0	261/6	23,515	1,810
May	267/0	-1/4	267/0	266/4	2,055	10
Total					1,586M	176,365

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	108.50	+0.50	109.00	109.00	153	12
Sep	94.50	-	-	-	138	-
Nov	96.25	-	-	-	104	-
Jan	98.00	+0.50	-	-	16	-
Mar	98.75	-	-	-	7	-
May	100.00					
Total					499	12

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	653/6	-4/0	660/0	653/0	233,895	62,825
Jul	652/4	-4/0	658/2	651/4	249,180	146,095
Aug	646/4	-4/2	652/0	645/4	46,315	5,215
Sep	627/6	-4/2	634/0	627/0	26,470	2,580
Nov	612/4	-4/2	619/4	612/0	173,495	38,590
Jan	618/2	-4/4	623/4	618/0	13,425	2,720
Total					744,205	259,720

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
May	27.48	+0.17	27.81	27.21	23,887	6,027
Jul	27.37	+0.09	27.65	27.13	28,411	6,734
Aug	27.06	+0.08	27.30	26.85	10,788	1,224
Sep	26.65	+0.05	26.75	26.43	9,835	775
Oct	25.85	-0.10	25.95	25.55	6,875	450
Dec	25.08	-0.03	25.25	24.93	14,699	1,578
Total					97,023	17,057

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
May	187.1	-1.7	189.5	186.9	22,378	6,619
Jul	187.1	-2.2	189.9	187.1	31,908	7,408
Aug	186.0	-1.7	189.0	186.0	9,431	1,305
Sep	184.1	-1.7	187.2	184.0	7,692	550
Oct	181.7	-2.1	184.5	181.6	4,107	299
Dec	180.7	-1.7	183.5	180.5	12,117	1,533
Total					88,284	17,768

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	241.5	+5.5	242.5	237.0	466	80
Jun	262.5	+37.5	-	-	2	-
Nov	77.5	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	129.5	-2.8	130.0	130.0	368	11
May	140.0	-	-	-	-	-
Total					834	91

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	1288	-1	1290	1285	977	14
May	1300	-	1300	1295	730	14
Jun	1249	+2	1250	1250	550	14
Jul	1158	-4	1165	1165	263	8
Oct	1278	-3	1280	1280	144	2
Jan	1320	-15	-	-	10	-
Total					2,885	52

	Close	Prev
BFI	1239	1228

Tea

There was good general demand, reports the Tea Broker's Association. The few brightest East Africans met keen competition at dearer rates, while good mediums were more irregular. Mediums were firm to dearer but plainer Africans tended easier with the exception of brighter Malawis which advanced. Good liquoring ceylons sold well and were often 5 to 10p dearer but medium and plainer descriptions were easier. Ceylons were well supported with better quality dearer, others fully firm. Zimbabwe teas tended easier but Malawis were fully firm. Quality 220p/kg. nom, good quality 155p/kg, good medium 140p/kg, medium 121p/kg low medium 88p/kg. The highest price realised this week was 268p for a Rwanda pd.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	888	-	888	875	17,466	1,201
Jul	907	+2	907	893	19,280	924
Sep	925	+5	925	911	12,301	507
Dec	943	+4	944	930	18,482	520
Mar	964	+6	964	951	26,498	445
May	978	+8	978	966	9,818	75
Total					114,114	3,772

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
May	1130	+4	1140	1123	18,944	5,446
Jul	1155	+6	1165	1145	29,792	6,212
Sep	1179	+3	1190	1172	10,991	439
Dec	1218	+4	1226	1215	7,944	204
Mar	1251	+4	1260	1246	10,544	13
May	1274	+4	1270	1270	5,412	21
Total					85,131	12,380

■ COCOA (ICCO) (SDR's/tonne)

Apr 11	Price	Prev. day
Daily	891.15	890.07
10 day average	N/A	N/A

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	1494	+38	1500	1444	14,054	1,492
Jul	1465	+28	1468	1423	18,229	1,293
Sep	1446	+27	1446	1405	7,952	716
Nov	1435	+17	1430	1405	4,273	114
Jan	1428	+19	1413	1405	5,319	4
Mar	1416	+8	-	-	1,874	-
Total					51,701	3,619

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	84.20	+0.90	84.75	82.75	26,085	5,164
Jul	85.95	+0.80	86.50	84.55	21,019	5,001
Sep	87.40	+0.90	87.70	86.10	7,541	900
Dec	88.80	+0.90	89.25	87.50	4,360	202
Mar	89.70	+0.95	90.00	88.75	1,844	51
May	90.55	+0.50	90.50	90.00	279	4
Total					61,125	11,322

■ COFFEE (ICO) (US cents/pound)

Apr 8	Price	Prev. day
Comp. daily	80.64	80.85
15 day average	78.18	77.97

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	11.07	-0.26	11.35	11.35	806	-
Jul	11.55	-0.32	-	-	2,769	-
Oct	11.32	-0.19	-	-	220	-
Jan	11.51	-	-	-	-	-
Total					3,795	N/A

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	317.80	-10.00	328.00	314.00	4,887	-
Aug	311.30	-11.50	322.20	308.60	8,646	-
Oct	298.00	-9.20	306.50	294.60	8,048	-
Dec	296.80	-6.40	303.00	294.10	210	-
Mar	297.50	-4.80	300.00	295.00	682	-
May	299.00	-4.80	-	-	194	-
Total					20,874	N/A

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	10.56	-0.64	11.17	10.50	31,661	7,580
Jul	10.84	-0.71	11.54	10.75	41,527	4,049
Oct	10.73	-0.50	11.23	10.73	30,514	2,314
Mar	10.81	-0.44	11.04	10.80	14,781	556
May	10.71	-0.39	11.08	10.80	1,994	23
Jul	10.68	-0.39	-	-	1,085	-
Total					121,927	14,522

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	76.37	+0.47	76.84	75.70	17,106	3,656
Jul	77.02	+0.40	77.40	76.40	19,938	2,859
Oct	74.05	+0.17	74.05	73.65	3,431	56
Dec	71.26	+0.03	71.35	70.88	15,305	668
Mar	72.12	+0.02	72.07	71.95	856	17
May	72.75	+0.05	-	-	336	3
Total					53,030	7,259

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	105.80	+1.40	108.00	104.80	7,113	4
Jul	108.70	+1.40	108.30	107.50	7,862	1,435
Sep	111.25	+1.15	111.50	110.10	2,137	317
Nov	111.25	+1.50	-	-	1,136	92
Jan	112.60	+1.10	112.60	112.00	2,086	20
Mar	114.40	+1.90	114.40	113.90	476	46
Total					20,819	1,884

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Apr 11	Apr 8	month ago	year ago
1808.2	1826.7	1824.5	(c)

■ CRB Futures (Base: 4/9/56=100)

Apr 8	Apr 7	month ago	year ago
223.78	224.60	227.34	(c)

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	77.450	-0.425	77.850	77.250	16,084	2,165
Jun	74.100	-0.500	74.580	74.025	30,718	4,073
Aug	72.400	-0.400	72.800	72.350	13,062	570
Oct	73.400	-0.375	73.700	73.350	10,322	302
Dec	73.625	-0.325	73.875	73.600	3,365	115
Feb	73.375	-0.325	73.609	73.375	1,821	32
Total					75,840	7,305

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	45.400	-0.350	45.850	45.350	1,870	987
Jun	51.975	+0.100	52.175	51.800	16,838	2,813
Jul	51.225	-0.100	51.425	51.125	5,308	785
Aug	49.475	+0.075	49.650	49.300	2,966	478
Oct	45.300	-0.025	45.450	45.150	1,981	128
Dec	45.600	-0.050	45.750	45.525	2,433	71
Total					31,894	5,283

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	53.500	-0.825	54.500	53.375	4,836	800
Jul	53.725	-0.775	54.550	53.600	4,586	606
Aug	51.525	-0.650	52.425	51.525	691	37
Feb	56.400	-0.025	56.425	56.250	114	12
Mar	55.900	-0.100	56.400	55.900	10	1
May	57.400	-	-	57.000	16	7
Total					10,253	1,458

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1300	51	74	26	37
1325	37	60	37	48
1350	27	49	51	61
■ COPPER (Grade A) LME	Jun	Sep	Jun	Sep
1850	67	90	31	48
1900	41	65	54	72
1950	23	44	86	101
■ COFFEE LCE	May	Jul	May	Jul
1300	194	171	-	6
1350	144	129	-	14
1400	95	92	1	27
■ COCOA LCE	May	Jul	May	Jul
875	19	55	6	23
900	6	41	18	34
925	1	20	38	48
■ BRENT CRUDE IPE	May	Jun	May	Jun
1350	-	-	-	10
1400	59	54	1	25
1450	12	-	1	52

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/May)

		+or-
Dubai	$13.38-3.53w	+0.29
Brent Blend (dated)	$14.77-4.79	+0.46
Brent Blend (May)	$14.69-4.71	+0.38
W.T.I. (1pm est)	$15.91-5.92w	+0.42

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$165-167	+1
Gas Oil	$150-151	+4
Heavy Fuel Oil	$67-69	
Naphtha	$135-136	+1
Jet Fuel	$162-164	+2.5

Petroleum Argus Estimates

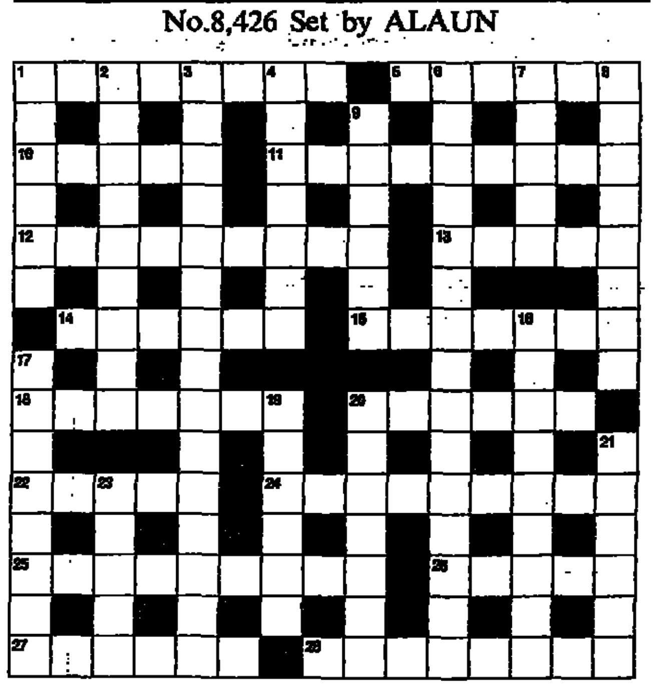
■ OTHER

Gold (per troy oz)‡	$380.75	-5.45
Silver (per troy oz)ф	542.50c	-7.0
Platinum (per troy oz.)	$404.00	-2.25
Palladium (per troy oz.)	$133.25	
Copper (US prod.)	91.00c	
Lead (US prod.)	36.00c	
Tin (Kuala Lumpur)	14.26r	
Tin (New York)	253.75c	+1.25
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	128.29p	-1.33*
Sheep (live weight)†ф	154.02p	+12.15*
Pigs (live weight)	78.02p	-0.76*
Lon. day sugar (raw)	$279.10	+6.10
Lon. day sugar (wte)	$329.70	-2.3
Tate & Lyle export	£298.0	-1.0
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	£165.0x	+5.0
Rubber (May)♥	70.50p	+0.25
Rubber (Jun)♥	70.75p	+0.25
Rubber (KL RSS No1 Apr)	258.00m	-0.5
Coconut Oil (Phil)§	$545.0t	+2.5
Palm Oil (Malay.)§	$420.0w	+7.5
Copra (Phil)§	$359.0v	+3.0
Soyabeans (US)	$208.0v	+2.0
Cotton Outlook A Index	82.10c	-0.4
Wooltops (64s Super)	397p	+5

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Mar/Apr. v Apr w May. t May/Jun. x Apr/May. ♥ London Physical. § CIF Rotterdam. ‡ Bullion market close. ф Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,426 Set by ALAUN



ACROSS

1 I don't know who, but what a figure! (8)
5 To be obstructive, but don't retire (4,2)
10 Answer to the doctor's "Who's the wine for?" (5)
11 Fight one aims to win (3,6)
12 A testy "I'm not a member of the hospital staff" (9)
13 To take the sun, about to find a seat (5)
14 Goes further than making advances (6)
15 They warn to get back into shore when it's stormy (7)
18 Your behaviour as you take the baton? (7)
20 Fish successfully again at the turn of the river (4,2)
22 Change to "a pound and half of butter" (5)
24 A statuette of the devil with protruding stomach and sloping shoulders? (3,6)
25 Strange occurrences when given the wrong name to phone, mistakenly (9)
26 Not that plus that makes a star! (5)
27 Become decrepit and more peculiar by the day (6)
28 In a word, finds it hard to come to a conclusion (8)

DOWN

1 Top money most of the time and it's going up (6)
2 Said unequivocally, must be stripped of ornaments (4,5)
3 A new start for the crossword compiler (4,2,6,3)
4 Wander off, in conversation with someone (7)
6 You've got a better match there. Now we're talking! (5,4,4,2)
7 For a yard man, one vacancy (5)
8 Unbetterable advice to those overkeen on viewing? (8)
9 Can't play whist, having to go out for a bit (6)
16 Form written in French (9)
17 Was a fighter but was useless (8)
19 A little label saying "medication" (6)
20 New version of the gaudily coloured float (7)
21 That makes about fifty odd years of races (6)
23 Their tips on the latest fashion (5)

Solution to Saturday's prize puzzle on Saturday April 23.
Solution to yesterday's prize puzzle on Monday April 25.

JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Strong close but trading volume slips lower

By Terry Byland,
UK Stock Market Editor

The first day of the new equity trading session saw UK stocks in better form, although the market took its cue first from British government bonds and, later, from a promising start on Wall Street. By the close, London was following New York step for step, closing very firmly as the Dow Industrial Average swung higher in early trading after Ms Elaine Garzarelli, the widely regarded Lehman Brothers analyst, revised her year-end forecast for the US stock market.

The FT-SE 100 Index ended at the day's best reading of 3,149.4 with a net gain of 28.6. A succession of large deals in blue chip stocks traded at the market close. After slipping briefly at the opening, the market advanced smartly behind more confident views on the interest rate outlook. The Footsie showed a gain of 28.1 before a nervous opening on Wall Street trimmed rises in London.

The UK market lagged behind equity markets in France and Germany, which responded to increasing confidence that the Bundesbank will ease rates again this week. Equity investors took a neutral view of the £277m rise in UK bank credit business in February, which was seen as implying that consumer spending had stood up well ahead of the increases in taxation phased in this month.

The FT-SE Mid 250 Index followed the trend of the Footsie, closing 24 points up on the day at 3,779.5. Seaq volume gathered pace as the session developed, but the closing total of 602.3m shares compared with 894.4m on Friday. Retail, or customer, business was worth £1.79bn on Friday, at the higher end of daily average levels.

Account Dealing Dates		
*First Dealings:		
Mar 28	Apr 11	Apr 25
Option Declarations:		
Apr 7	Apr 21	May 12
Last Dealings:		
Apr 8	Apr 22	May 13
Account Day:		
Apr 18	May 3	May 23

*New time dealings may take place from two business days earlier.

Some encouragement was seen in the stock market's buoyancy in what is the start of the first equity trading account of the new tax year in the UK. But the London market appeared to be a follower of other markets yesterday, and somewhat lacking in self-direction.

London's close pursuit of the New York market towards the close of trading caused some analysts to warn that Wall Street could be tested tomorrow when the latest US retail sales and consumer price statistics are due.

Equity strategists continued to compare the London stock market outlook with that of Wall Street. At Salomon Brothers International, Mr Marcus Grubb commented that Continental markets are likely to remain "less vulnerable" than the UK to inflation fears, which he believes will be prompted by the strength of the US economy and expectations of further tightening of credit policy by the Federal Reserve.

Mr Peter Lyon of Smith New Court told clients that economies outside the US have "plenty of spare capacity" and that their bond and equity markets can continue to make progress even if the Federal Reserve tightens policy further.

The Footsie was helped by renewed strength in the oil majors as investors began to anticipate firmer crude oil prices as global economies extend their recovery. Gains were fairly eveny spread across the manufacturing sectors. There was renewed support for financial stocks, where the life assurance companies stood out.

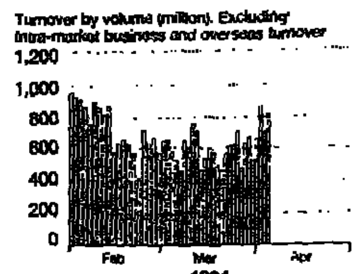
Consumer shares moved ahead as the bank credit numbers for February were digested by the market. But across the range of the market, investment support was still cautious and traders were wary of a return of the volatile trends seen in equities over the past three weeks.

FT-SE-A All-Share index

Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3149.4	+28.6	FT Ordinary index	2498.4	+21.1
FT-SE Mid 250	3779.5	+24.0	FT-SE-A Non Fins p/e	20.71	(20.54)
FT-SE-A 350	1597.5	+13.5	FT-SE100 Fut Jun	3158.0	+37.0
FT-SE-A All-Share	1587.25	+12.63	10 yr Gilt yield	7.59	(7.69)
FT-SE-A All-Share yield	3.66	(3.69)	Long gilt/equity yld ratio:	2.16	(2.16)

Best performing sectors		Worst performing sectors	
1 Property	+1.9	1 Tobacco	-1.8
2 Life Assurance	+1.7	2 Pharmaceuticals	-0.3
3 Leisure & Hotels	+1.5	3 Merchant Banks	+0.0
4 Telecommunications	+1.5	4 Consumer Goods	+0.1
5 Electronic & Elec	+1.4	5 FT-SE SmallCap ex ITs	+0.1

Property sector favoured

Property shares moved sharply ahead as a positive assessment on the sector from Goldman Sachs was underpinned by some bullish industry and weekend press comment.

The US investment bank put Land Securities on its recommendation list and the shares led the sector-wide advance, moving ahead 22 to 657p with 2.6m traded.

Mr Graham Stanley at Goldman believes recent pessimism on the outlook for property shares has been overdone. "Areas of the direct market are starting to look overbought. Share prices currently value property company assets at an average 8.4 per cent yield compared to an average yield in the direct market of 7.5 per cent and falling. Selected property stocks appear to offer good value."

Burmah advances

Burmah Castrol sprinted ahead, closing 11 firmer at 826p after the group's preliminary results came in at the very top end of market expectations. But it was the dividend increase, up 9 per cent on the year to 27.5p, that caught the eye. Most analysts had been expecting a total payment of 26.5p, with a handful of super-optimists looking for 27p.

Oil sector specialists said the company delivered a positive post-results message to the market, hinting that the German and other European businesses could be turning the corner and emerging from recession.

Ms Irene Himona, an oil sector analyst at Strauss Turnbull, the stockbroker, and a long term supporter of Burmah Castrol shares, said the market had adopted a much too bearish view of the company which, she added, should stand at a market price/earnings ratio instead of the current 20 per cent discount for 1994. "Burmah Castrol is positioned to increase its dividend by 10 per cent for the next two years and still end up with dividend cover of 1.9 times," said Ms Himona.

The pharmaceuticals area was under pressure as a spate of minor irritants focused on Zeneca and Glaxo and reinforced the sector's precarious standing within the London market.

Zeneca ended 5 off at 734p after the US Food and Drug Administration ordered more stringent labelling on its breast cancer product. Although the concern over the drug's links with cancer of the uterus were known, the move towards tighter policing and a subsequent warning letter to doctors knocked sentiment.

Meanwhile, Glaxo, which market's Zantac, the world's top-selling anti-ulcer drug, suffered from the news that US company Lederle was co-promoting an anti-ulcer treatment with SmithKline Beecham (steady at 370p). It was also affected by the realisation that the appeal by Novopharm against Glaxo's patent on Zantac started yesterday. Glaxo fell 6 to 598p.

Elsewhere, Wellcome rose 14¼ to 561p xd after announcing details of the streamlining of its research and development management structure and was also helped by talk that NatWest Securities had upgraded forecasts. NatWest's pharmaceuticals team was unavailable for comment. Fisons added 5 at 148p with BZW said to have been a keen buyer.

The oil sector extended its recent strong performance, with Shell Transport putting on another powerful display and moving up 15 more to 711p on heavy turnover of 6.3m, including a block of 3.7m shares traded at 708p. Dealers said Shell continued to respond to a batch of forecast upgrades last week and some switching out of BP shares, which have outperformed Shell in the recent past. BP failed to match Shell, closing only marginally higher at 374p.

Enterprise Oil jumped 8 to 447p, after 450p with analysts pointing out the stock's higher leverage to crude oil prices than that of the integrated stocks.

Vodafone was the lone poor performer in a generally strong telecoms area, the shares slipping 8 to 337p amid US selling and switching into BT and Cable & Wireless. The latter, helped by improving sentiment towards far eastern markets, rose 8 to 452p. BT were a similar amount up at 396½p.

The emerging takeover story in Hogg Group continued with HSBC, which acquired a 6.1 per cent stake a couple of weeks ago, adding to its holding via purchases of Hogg shares by a number of its investment management associates. HSBC now speaks for 7.26 per cent of Hogg's issued capital. Hogg shares closed 4 higher at 215p.

A stock shortage was thought to have exaggerated gains in composite insurances where Sun Alliance was particularly strong and 11 better at 351p. Hoare Govett's buy recommendation continued to drive Prudential, which settled another 10 higher at 330p.

NatWest Securities fretted over accounting standards in the stores sector focusing its concern on recent revelations at Pentos. Shares in the high street stationer slipped 1¼ to 32p. The broker also moved Next and Boots on to its buy list, the latter gaining 7 to 535p, although the former steadied at 231½p.

News of improved sales and a capital injection lifted Brown & Jackson, the troubled discount retailer, 1¼ to 4¾p with a massive 37m shares changing hands.

Tesco improved 3 to 215p ahead of results today. Profits are expected to fall from £581m to around the £530m-mark.

Building sector stocks raced higher after a positive review of the outlook for UK construction output published by the National Council of Building Material Producers.

BPB surged 11 to 320p, Hepworth 10 to 388p and Marley 6 to 174p.

British Airways gained support from two research notes, one from Kleinwort Benson and the other from Lehman Brothers. Both pointed out the shares recent underperformance as a good buying opportunity, with Kleinwort underlining the quality of the group's recent traffic figures. BA shares put on 5 to 429p. Meanhwile, BAA received support from Smith New Court, the shares adding 2 to 975p. The broker also likes AB Ports, also ahead 2 at 547p.

Defence group GEC improved 7 to 316p on consideration of a Sunday newspaper article suggesting that the company was in talks with Finmeccanica of Italy. Also, Hoare Govett reiterated a trading buy recommendation. Just before the close of dealing a block of 4m shares went through the SEAQ electronic ticker at 314p.

MARKET REPORTERS:
Peter John,
Christopher Price,
Steve Thompson.

■ Other statistics, Page 25

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (45).
BANKS (3) Mitsubishi, Mitsubishi Tst. & Banking, Sanwa, BUILDING & CNSTRN (3) Hewden-Stuart, Regent, CHEMICALS (2) Bayer, ICI, DISTRIBUTORS (1) Denmans, DIVERSIFIED INDLS (1) Ropner, ELECTRNC & ELECT EQUP (4) MTL, [illegible] Careo Pharms., PRTNG, PAPER & PACKG (2) Portals, St Ives, PROPERTY (1) Aukett Assocs, RETAILERS, GENERAL (3) Goldsmiths, Oliver, Signet, SUPPORT SERVS (2) Admiral, Serco, TEXTILES & APPAREL (2) Dinkie Heel, Toray, TRANSPORT (1) Bergesen d-y AS 'A'.
NEW LOWS (136).
GILTS (3) BUILDING & CNSTRN (6) BLDG MATLS & MCHTS (7) CHEMICALS (1) Scapa, DISTRIBUTORS (5) Appleyard, Davenport Vernon, Harris (P.), DIVERSIFIED INDLS (1) Staveley Inds., ELECTRICITY (1) PowerGen, ELECTRNC & ELECT EQUP (1) Kode, ENGINEERING (4) GBE Intl, Hunting Prl., Huntleigh Tech, Triplex Lloyd, EXTRACTIVE INDS (28) FOOD MANUF (1) Hazlewood, HEALTH CARE (2) Biotrace, London, HOUSEHOLD GOODS (3) Fine Decor, Silentnight, Walker Greenbank, INSURANCE (4) INVESTMENT TRUSTS (6) INVESTMENT COMPANIES (3) LEISURE & HOTELS (1) Magnolia, LIFE ASSURANCE (3) Liberty Life Assoc of Africa, Lincoln Natl, Trans B Pl, MEDIA (1) Saatchi, MERCHANT BANKS (1) Kleinwort Benson, OIL EXPLORATION & PROD (1) Global Natural Res, OIL, INTEGRATED (1) Occidental Petm, OTHER FINANCIAL (5) OTHER SERVS & BUSNS (4) Anglo Utd, Brit. Bloodstock, Photo-Me, Plenisbrook, PHARMACEUTICALS (5) Grampian, Lilly (Eli), Proteus, PRTNG, PAPER & PACKG (1) Crest Packaging, PROPERTY (8) RETAILERS, FOOD (2) Geest, Merchant Retail, RETAILERS, GENERAL (3) Christies, Church, Fine Art Devs., SUPPORT SERVS (4) TEXTILES & APPAREL (4) Jacques Vert, Leeds Grp, Marling Inds, Richards, TRANSPORT (1) Clarkson (H), WATER (2) Severn Trent, South West Water, AMERICANS (6) CANADIANS (6) SOUTH AFRICANS (5)

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures rallied sharply yesterday, pulling the underlying cash market upwards as investors shrugged off some of their concern that interest rates might be on the turn, writes Peter John.

The FT-SE 100 contract expiring in June opened the new account at 3,129, up from Friday's finish, and maintained the firm tone throughout the day, hitting a high of 3,164 before reaching an official trading close of 3,158. At that level it was about six points above its estimated fair value premium of around seven points, which has been recalculated for the new account.

Traders said there was support from Salomon Brothers International and NatWest Securities, as well as "locals", or independent traders. One enthusiastic dealer commented: "The future has been fat all day" but it was thriving on junk food – turnover of less than 10,000 contracts suggested that the fundamental support in the market was thin.

Traded options, meanwhile, saw only 29,000 contracts traded, busier than Friday's desultory level which saw only 21,766 lots changing hands but still uninspiring. Among stock options, Glaxo ended the day as the most active with 3,310 lots dealt, followed by BT with 2,542 and Lucas with 1,644. Shell Transport and Rolls-Royce were also heavily traded.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3129.0	3158.0	+37.0	3173.0	3128.0	10347	54370
Sep		3178.5	+38.5			0	666
Dec		3188.0	+37.0			0	10

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3770.0	3790.0	+10.0	3790.0	3770.0	47	2742

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3772.0	3795.0	+25.0	3772.0	3772.0	10	838

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3147) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

FT-SE Actuaries Share Indices — The UK Series

[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

FT GOLD MINES INDEX

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	57	5	12
Other Fixed Interest	2	0	13
Mineral Extraction	46	77	79
General Manufacturers	223	93	350
Consumer Goods	89	38	95
Services	165	75	278
Utilities	29	7	10
Financials	147	55	177
Investment Trusts	196	22	254
Others	33	70	41
Totals	987	448	1309

Data based on those companies listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£23⅞	+⅛	£25⅛	£22⅞	6,611	4.7	♦
ANZ A$		233½	-2¼	278¼	220½	3,655	3.8	18.4
Abbey National	N□	487xd	+3	523	463	6,137	3.7	15.7
Allied Irish I£	♣□	249xd	+4	314	241	1,640	5.0	♦
Anglo Irish I£	M□	58	----	70	56	192.7	7.7	10.2
Asahi Y		729	+20	789¼	628	16,617	0.7	-
Banco Bil Viz Pts		£15⅛	-⅛	£18⅞	£14⅞	3,487	5.4	6.8
Banco Sant Pts		£31⅝	----	£34⅝	£29⅞	3,513	4.3	12.1
Bk Ireland I£	♣□	258	+3	319	245	1,218	4.8	18.0
Bank Scotland	♣†□	185	+2	247	183	2,188	3.1	25.5
9¼pc Pf		128	+½	141½	126½	128.0	9.0	-
9¾pc Pf		135	+½	148½	131½	135.0	9.0	-
Barclays	N□	529xd	+3	640	497	8,591	3.6	21.9
Dai Ichi Kan Y		£12¼	+⅛	£12⅞	£10⅞	38,833	0.4	68.8
Deutsche DM		£322⅞	+3	£344¼	£298¼	15,345	1.9	-
Espirito Santo		£20⅝	----	£26⅞	£19⅞	223.1	3.8	9.0
First Nat Fin	N□	78	----	90	69	116.0	2.7	-
6.3pc Cv Pf		85	----	90	77	5.72	9.3	-
7pc Cv Pf		149½	-½	171	123	70.5	5.9	-
Fuji Bank Y		1484¼	-4¼	1505½	1152½	42,975	0.4	-
HSBC HK	□	797xd	+17	1133	749	13,995	3.7	♦
HSBC (75p Shs)	□	780xd	+20	1113	733	8,586	3.8	♦
Lloyds	N□	556xd	+4	680	540	7,278	4.9	11.9
Mitsubishi Y		£16⅝	+⅞	£18⅞	£15⅝	54,406	0.3	-
Mits Tst & Bk Y		1027¼	+2¼	1094¼	887½	13,384	0.5	16.5
Mitsui Tst & Bk Y		755¼	+1	811¼	514	9,848	0.7	25.7
Nat Aust A$		589	-1½	620¼	537½	7,481	4.2	13.9

CHEMICALS

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

OIL, INTEGRATED

PROPERTY - Cont.

SPIRITS, WINES & CIDERS

TRANSPORT - Cont.

WATER

SUPPORT SERVICES

AMERICANS

OTHER FINANCIAL

LIFE ASSURANCE

MEDIA

OTHER SERVICES & BUSINESSES

TELECOMMUNICATIONS

CANADIANS

TEXTILES & APPAREL

SOUTH AFRICANS

OTHER INVESTMENT TRUSTS

RETAILERS, FOOD

GUIDE TO LONDON SHARE SERVICE

INVESTMENT COMPANIES

PHARMACEUTICALS

MERCHANT BANKS

RETAILERS, GENERAL

PRINTING, PAPER & PACKAGING

OIL EXPLORATION & PRODUCTION

TOBACCO

TRANSPORT

LEISURE & HOTELS

PROPERTY

yield after scrip issue. p Rights issue pending q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings [illegible] Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1994 L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for [illegible] T Figures assumed. W Pro forma figures. Z Dividend yield to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

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FT Cityline

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An International service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

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T.U. Fund Managers Limited (1200)H

Templeton Unit Trust Managers Ltd (1200)F

Thornton Unit Managers Ltd (1200)F

Abbey Life Assurance Co Ltd

Abbey National Life Plc

Canada Life Group

Eagle Star Life Assurance Co Ltd

Hill Samuel Life Assur. Ltd

Lincoln National - Contd.

Providence Capital Life Assc. Co Ltd - Contd.

OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Scottish Amicable				
150 St Vincent St, Glasgow			041-248 2323	
Life Funds (First Series)				
Managed	467.8	492.5	+2.50	-
Equity	578.2	608.7	+1.90	-
Property	288.5	303.7	—	-
International	481.2	506.6	+3.00	-
Japanese	132.1	139.1	+1.80	-
Asia Pacific	186.9	196.8	+3.20	-
European	133.7	140.8	+0.50	-
American	160.3	168.8	-1.00	-
Fixed Interest	368.9	388.3	+2.90	-
Index-Linked Gilt	195.7	206.0	+0.20	-
Cash	225.4	237.3	—	-
Life Funds (Second Series)				
Managed	130.8	137.7	+0.70	-
Equity	124.9	131.5	+0.50	-
Property	121.8	128.1	—	-
International	149.4	157.3	—	-
Japanese	133.0	140.0	+1.90	-
Asia Pacific	184.1	193.8	+3.10	-
European	133.1	140.2	+0.50	-
American	157.3	165.6	-1.00	-
Fixed Interest	138.8	145.9	+1.10	-
Index-Linked Gilt	125.8	132.3	+0.20	-
Cash	112.2	118.2	—	-
Pension Funds				
Building Society	179.9	189.4	—	-
Managed (Init)	260.4	274.2	+1.80	-
Managed (Acc)	541.8	570.4	+3.80	-
Equity (Init)	286.4	301.5	+2.10	-
Equity (Acc)	595.8	627.2	+4.30	-
Property (Init)	174.9	184.2	+0.10	-
Property (Acc)	364.0	383.2	—	-
International (Init)	275.3	289.8	+2.10	-
International (Acc)	572.8	603.0	+4.50	-
Fixed Interest (Init)	230.9	243.1	+2.00	-
Fixed Interest (Acc)	480.5	505.8	+4.10	-
Cash (Init)	152.2	160.3	—	-
Cash (Acc)	316.9	333.6	—	-
Exempt Emerging Cos	87.40	92.07	+0.13	-
Exempt Established Cos	91.60	96.50	+4.4	-
Exempt Japanese	104.3	109.8	+1.6	-
Exempt Asia-Pacific	91.40	96.30	-0.8	-
Exempt European	97.60	102.8	+0.3	-
Exempt American	82.80	88.10	+2.20	-
Others				
Capital Guarantee Bond	109.7	115.5	+0.80	-
Scottish Equitable plc				
28 St Andrew Sq, Edinburgh			031-556 9101	

	Bid Price	Offer Price	+ or -	Yield Gross
Standard Life Assurance Company				
3 George St, Edinburgh EH2 2XZ			031-225 2552	
Managed	697.5	734.3	-3.6	-
Equity	982.3	1034.0	-5.6	-
Fixed Interest	391.8	412.5	-1.3	-
Index-Linked	206.8	217.7	-1.1	-
International	630.6	663.8	-3.0	-
North American	143.3	150.9	-0.3	-
Far East	176.4	188.7	-1.2	-
European	173.8	183.0	-0.7	-
Property	349.3	367.7	+0.2	-
Cash	263.6	277.5	—	-
Pension Managed	977.1	1028.0	-6.3	-
Pension Stock Exchange	220.3	231.9	-1.5	-
Pension Equity	1409.0	1483.2	-11.0	-
Pension Fxd Int	532.0	560.0	-1.6	-
Pension Index-Linked	286.0	301.1	-1.5	-
Pension International	891.5	938.3	-5.0	-
Pension Property	467.4	492.1	+0.2	-
Pension Cash	407.8	429.3	—	-
Pension Nth American	178.9	188.4	-0.3	-
Pension Far East	142.0	149.5	-1.1	-
Pension European	208.9	219.9	-1.1	-
Sun Alliance Group				
St Mark's Court Horsham			0403 232323	
Life Funds				
Managed	665.7	700.8	+3.1	-
Deposit	290.2	305.5	+0.1	-
Equity	863.1	908.8	+4.1	-
Equity Income	233.3	245.9	+1.6	-
European	174.6	183.8	+2.2	-
Far East	242.3	255.1	+2.4	-
Fixed Interest	412.1	433.8	+0.8	-
Index Linked	311.5	327.9	+0.3	-
International	653.2	687.6	+3.3	-
North America	245.3	258.3	-1.7	-
Property	513.7	540.8	—	-
Worldwide Bond	157.7	166.0	+0.8	-
International Bond	£87.83		—	-
UK Leader	115.1	121.2	+0.8	-
Broker Funds				
Chessman Funds Managed	111.1	117.0	+0.4	-
IAS Emerging Markets	130.2	138.8	+0.1	-
IAS Medium	100.6	105.9	-0.1	-
IAS Low Risk	86.00	90.60	-0.20	-
IAS Discretion	188.1	195.9	-0.3	-
IAS Maximum	229.1	241.2	-0.1	-
Index Control Monitor	107.3	113.0	+0.1	-
Index Selective Growth	226.2	238.2	-1.0	-
Index Worldwide Growth	256.7	270.3	+1.2	-
Moneyfab Growth	263.5	277.4	+0.7	-
Radcliffe Trustees	138.5	145.8	+0.9	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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INVESCO International Limited - Contd.

Jupiter Tyndall (Jersey) Ltd

Lloyds Bank Trust Co (CI) Mngrs

Dolphin Intl Investments (x) SICAV

Dresdner Bank Asset Mngmt SA (m)

E.T. Investment Management Ltd

Sarasin Investment SICAV (u)

Schroder International Selection Fd (u)

Espirito Santo Investment Mgmnt (SICAV)

Europe Value Fund (u)

EurOptec (u)

Fidelity Intl Inv Mngt (Luxembourg) SA

Scudder, Stevens & Clark - Contd.

Target International Ltd

Templeton Emerging Asia

Templeton Worldwide Investments

Daehan Investment Trust Co Ltd

Daiwa APT Japan Fund

Daiwa Intl Capital Management (H.K.) Ltd

International Fund Administration Ltd

The Jaguar Fund N.V.

Jardine Fleming Inv Mngt Ltd

Jardine Fleming Unit Trusts Ltd

Portuguese Investment Fund Ltd

Putnam Emerging Funds Ltd

Putnam International Advisers Ltd

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Political fears boost yen

Bullish predictions about the outlook for the currency and concern about a political vacuum in Japan caused the yen to appreciate on foreign exchanges yesterday, *writes Philip Gawith.*

The Japanese currency finished in London at Y103.325 against the dollar, compared with Y104.50 where it started the day. The trigger for selling was a forecast from the US economist, Mr Fred Bergsten, that the dollar could fall to a range of Y90-100 if Japan failed to stimulate its economy.

This forecast played on the nerves of a market already nervous about the implications of the resignation last Friday of prime minister Mr Morihiro Hosokawa.

In Europe the lira continued its rise as further evidence emerged over the weekend of co-operation between the victorious coalition partners in the recent elections. After touching a high of L946 against the D-Mark, the lira lost ground to finish at L950.3, compared with Friday's close of L950.9.

Markets were generally fairly quiet, with attention focused more on events later in the week: the release of US and UK consumer price data, and the Bundesbank council meeting on Thursday.

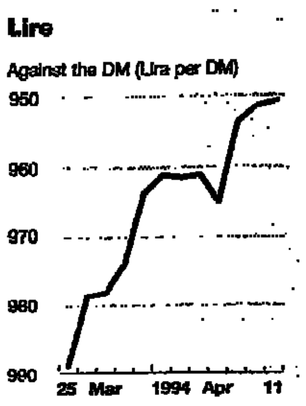
■ Mr David Barrett, proprietary trader at Natwest Markets, said the market had recently been fickle towards the yen and Mr Bergsten's comments provided the excuse it needed to buy the currency. Although not part of government, he is seen as reflecting the views of the Clinton administration on the dollar/yen rate.

Another reason for yen strength is the view that the US may find Mr Hosokawa's successor less to its liking. Mr Barrett said the question the market is asking itself is "Will it (the resignation) accelerate the trade war?" He predicts that the dollar will remain soft until there is clarity about a new prime minister and cabinet.

Mr Adrian Cunningham, senior currency economist at UBS in London, said he would not discount the dollar falling below Y103 and testing record lows against the yen.

Lire

Against the DM (Lira per DM)



Source: Datastream

■ Pound in New York

Apr 11	—Latest—	—Prev. close—
£ spot	1.4715	1.4768
1 mth	1.4695	1.4758
3 mth	1.4671	1.4718
1 yr	1.4621	1.4655

Against the D-Mark, the dollar was also slightly weaker, closing at DM1.708 from DM1.7134.

■ The D-Mark had a mixed performance in Europe. It closed slightly lower against the French franc at FFr3.425 from FFr3.427 on Friday. It was also lower against the lira and the escudo, but was unchanged against the peseta and up against the Danish krone.

Rates eased in German money markets with call money falling to 5.75/5.85 per cent from 5.85/5.95 per cent on Friday. The repo rate, currently at 5.73 per cent, is expected to fall further this week. Sentiment about interest rate prospects was slightly more positive in the futures market. The June contract finished one basis point firmer at 94.56 from 94.55.

Elsewhere in Europe, the lira rose on the back of weekend comments from Mr Umberto Bossi, leader of the Northern League, indicating his backing for a government alliance with Mr Silvio Berlusconi, the Forza Italia leader.

The escudo was firm at Es101.6 following comments from Mr Eduardo Catroga, the finance minister, that the exchange rate was correct. Although the government seems to have arrested the currency's recent weakness, Mr Cunningham said there remained concern about whether there would be any demand for the currency when the government started to lower interest rates to boost growth.

■ Sterling was quiet yesterday ahead of important trade and retail price data later in the week. The trade weighted index closed at 79.7 from its previous close of 80. The UK currency finished at DM2.517 against the D-Mark, down from DM2.5265. It was slightly lower against the dollar, closing at $1.4737 from $1.4745.

The interest rate futures market has continued its recovery from recent lows. The June short sterling contract closed yesterday at 94.56 (the same as the June euromark contract) from 94.51 on Friday.

The Bank of England yesterday offered £450m assistance to the discount market after forecasting a £550m shortage.

■ Yesterday saw the first sign of serious pre-election jitters in South African financial markets. The financial rand (finrand) - the investment currency for foreigners - fell by 12 per cent to close in London at R5.6435 against the dollar, the lowest level in six years, from Friday's close of R5.025. The currency, regarded as a barometer of foreign investor sentiment, touched a low during the day of R5.72.

Mr Tom Chenoweth, chief dealer at Standard Bank in London, said trading had been "horrific", with panic selling the order of the day. He said the market had been spooked by reports in the London Sunday press quoting senior ANC officials saying they would "wipe Inkatha out" when they came to power.

The financial rand market is small and highly volatile, but even by these standards yesterday's move was exceptional. The more widely traded commercial rand also weakened, closing at R3.5925 from Friday's close of R3.5565.

■ OTHER CURRENCIES

Apr 11	£	$
Hungary	152.792 - 153.001	103.700 - 103.800
Iran	2579.00 - 2585.00	1748.00 - 1750.00
Kuwait	0.4383 - 0.4397	0.2975 - 0.2983
Poland	33019.1 - 33041.5	22401.0 - 22401.0
Russia	2623.19 - 2637.92	1780.00 - 1790.00
U.A.E.	5.4004 - 5.4115	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Apr 11		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.7043	-0.0487	970 - 116	17.8035	17.6970	17.7005	0.3	17.6949	0.2	-	-	113.1
Belgium	(BFr)	51.7733	-0.2781	355 - 111	52.1467	51.7355	51.8083	-0.8	51.8533	-0.6	51.8983	-0.2	114.4
Denmark	(DKr)	9.8528	-0.0371	482 - 574	9.8989	9.8462	9.8628	-1.2	9.8762	-1.0	9.886	-0.3	114.1
Finland	(FM)	8.1003	-0.036	972 - 033	8.1350	8.0960	-	-	-	-	-	-	82.0
France	(FFr)	8.6212	-0.0342	179 - 244	8.6607	8.6148	8.6265	-0.7	8.6343	-0.6	8.6575	-0.4	106.6
Germany	(DM)	2.5170	-0.0095	160 - 180	2.5316	2.5143	2.5183	-0.6	2.5193	-0.4	2.5088	0.3	122.1
Greece	(Dr)	369.236	-1.38	939 - 532	371.377	368.939	-	-	-	-	-	-	-
Ireland	(I£)	1.0353	-0.0023	342 - 364	1.0378	1.0337	1.0361	-1.0	1.0376	-0.9	1.0429	-0.7	102.6
Italy	(L)	2391.67	-12.14	030 - 304	2410.77	2382.79	2397.87	-3.1	2410.77	-3.2	2456.47	-2.7	78.5
Luxembourg	(LFr)	51.7733	-0.2781	355 - 111	52.1467	51.7355	51.8083	-0.8	51.8533	-0.6	51.8983	-0.2	114.4
Netherlands	(Fl)	2.8238	-0.0125	224 - 251	2.8412	2.8224	2.8243	-0.2	2.8241	0.0	2.8217	0.1	119.0
Norway	(NKr)	10.9048	-0.0307	011 - 085	10.9771	10.8965	10.8992	0.6	10.9117	-0.3	10.9029	0.0	84.5
Portugal	(Es)	255.687	-1.319	488 - 886	257.050	255.488	256.662	-4.6	258.607	-4.6	-	-	-
Spain	(Pta)	203.555	-0.787	403 - 707	204.841	203.403	204.06	-3.0	205.045	-2.9	208.505	-2.4	85.6
Sweden	(SKr)	11.6058	-0.0378	979 - 136	11.6445	11.5698	11.6268	-2.2	11.6628	-2.0	11.7818	-1.5	76.9
Switzerland	(SFr)	2.1202	-0.0091	192 - 211	2.1307	2.1174	2.1183	1.0	2.114	1.2	2.0861	1.6	117.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.7
Ecu	-	1.3003	-0.0047	996 - 009	1.3078	1.2996	1.3014	-1.0	1.303	-0.8	1.3032	-0.2	-
SDR	-	0.944886	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4741	+0.001	737 - 744	1.4793	1.4729	-	-	-	-	-	-	-
Brazil	(Cr)	1508.85	+27.63	854 - 916	1510.00	1480.00	-	-	-	-	-	-	-
Canada	(C$)	2.0474	+0.0117	466 - 481	2.0508	2.0422	2.0477	-0.2	2.0497	-0.4	2.0636	-0.8	86.7
Mexico	(New Peso)	4.9541	-0.0028	494 - 588	4.9683	4.9494	-	-	-	-	-	-	-
USA	($)	1.4737	-0.0008	734 - 740	1.4790	1.4725	1.472	1.4	1.4692	1.2	1.4637	0.7	66.3
Pacific/Middle East/Africa													
Australia	(A$)	2.0365	+0.007	354 - 376	2.0489	2.0352	2.035	0.9	2.0327	0.8	2.0307	0.3	-
Hong Kong	(HK$)	11.3851	-0.0088	820 - 881	11.4282	11.3773	11.3721	1.4	11.3686	0.6	11.3176	0.6	-
India	(Rs)	46.2153	-0.0324	985 - 320	46.3610	46.1850	-	-	-	-	-	-	-
Japan	(Y)	152.270	-2.862	202 - 338	155.390	152.140	151.88	3.1	151.11	3.0	147.505	3.1	189.3
Malaysia	(M$)	3.9599	+0.0008	576 - 621	3.9686	3.9518	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5843	+0.0076	822 - 864	2.5949	2.5822	2.5872	-1.3	2.5915	-1.1	2.6001	-0.6	-
Philippines	(Peso)	40.6005	-0.0221	712 - 298	40.8575	40.3712	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5267	-0.0031	253 - 281	5.5463	5.5225	-	-	-	-	-	-	-
Singapore	(S$)	2.3041	-0.0102	029 - 053	2.3203	2.3025	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.2943	+0.0502	895 - 990	5.3270	5.2392	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	8.3168	+0.9074	100 - 235	8.3235	7.2383	-	-	-	-	-	-	-
South Korea	(Won)	1194.58	-0.87	419 - 497	1199.03	1193.76	-	-	-	-	-	-	-
Taiwan	(T$)	38.8762	-0.0138	683 - 841	39.0000	38.8400	-	-	-	-	-	-	-
Thailand	(Bt)	37.2257	-0.1234	034 - 480	37.4330	37.2034	-	-	-	-	-	-	-

†SDR rate for Apr 8. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 11		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	12.0135	-0.0265	110 - 160	12.0375	11.9985	12.032	-1.8	12.0607	-1.6	12.0722	-0.5	102.6
Belgium	(BFr)	35.1315	-0.1695	130 - 500	35.2700	35.1130	35.2015	-2.4	35.3115	-2.0	35.5115	-1.1	103.7
Denmark	(DKr)	6.6858	-0.0215	840 - 875	6.6930	6.6786	6.7016	-2.8	6.7261	-2.4	6.7688	-1.2	102.9
Finland	(FM)	5.4966	-0.0214	956 - 975	5.5147	5.4855	5.5034	-1.5	5.5111	-1.1	5.5229	-0.5	76.8
France	(FFr)	5.8500	-0.02	490 - 510	5.8665	5.8420	5.8615	-2.4	5.8797	-2.0	5.9015	-0.9	103.3
Germany	(D)	1.7080	-0.0054	076 - 083	1.7115	1.7055	1.7111	-2.1	1.7154	-1.7	1.7159	-0.5	103.9
Greece	(Dr)	250.550	-0.8	400 - 700	251.100	250.400	253.85	-15.8	261.3	-17.2	288.8	-15.3	69.9
Ireland	(I£)	1.4235	+0.0024	222 - 247	1.4273	1.4217	1.4204	2.6	1.415	2.4	1.4091	1.6	-
Italy	(L)	1622.90	-7.35	230 - 350	1630.00	1615.25	1629.35	-4.8	1641.8	-4.7	1681.65	-3.6	78.9
Luxembourg	(LFr)	35.1315	-0.1695	130 - 500	35.2700	35.1130	35.2015	-2.4	35.3115	-2.0	35.5115	-1.1	103.7
Netherlands	(Fl)	1.9161	-0.0075	156 - 166	1.9189	1.9145	1.9188	-1.7	1.9228	-1.4	1.9271	-0.6	103.3
Norway	(NKr)	7.3996	-0.0168	986 - 006	7.4315	7.3859	7.4123	-2.1	7.4356	-1.9	7.4746	-1.0	94.5
Portugal	(Es)	173.500	-0.8	400 - 600	174.100	173.400	174.415	-6.3	176.03	-5.8	181.175	-4.4	93.6
Spain	(Pta)	138.125	-0.445	050 - 200	138.500	138.050	138.655	-4.6	139.635	-4.4	142.725	-3.3	80.9
Sweden	(SKr)	7.8753	-0.0213	715 - 790	7.8878	7.8413	7.9003	-3.8	7.9431	-3.4	8.0663	-2.4	82.4
Switzerland	(SFr)	1.4387	-0.0054	383 - 390	1.4435	1.4365	1.4392	-0.4	1.4392	-0.1	1.4259	0.9	104.1
UK	(£)	1.4737	-0.0008	734 - 740	1.4790	1.4725	1.472	1.4	1.4692	1.2	1.4637	0.7	88.8
Ecu	-	1.1334	+0.0034	331 - 337	1.1347	1.1322	1.1308	2.8	1.1263	2.5	1.1174	1.4	-
SDR	-	1.39503	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0003	+0.0013	002 - 003	1.0003	1.0002	-	-	-	-	-	-	-
Brazil	(Cr)	1023.85	+19.29	385 - 385	1023.85	1004.57	-	-	-	-	-	-	-
Canada	(C$)	1.3893	+0.0087	890 - 895	1.3896	1.3848	1.3911	-1.5	1.3956	-1.8	1.4113	-1.6	83.7
Mexico	(New Peso)	3.3617	-	592 - 642	3.3642	3.3592	3.3627	-0.4	3.3645	-0.3	3.3719	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	101.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3819	+0.0055	814 - 824	1.3893	1.3814	1.3831	-1.1	1.3876	-1.7	1.3984	-1.2	89.1
Hong Kong	(HK$)	7.7255	-0.0018	250 - 260	7.7270	7.7250	7.7285	-0.5	7.7345	-0.5	7.7592	-0.4	-
India	(Rs)	31.3600	-0.005	550 - 650	31.3700	31.3550	31.425	-2.5	31.56	-2.8	-	-	-
Japan	(Y)	103.325	-1.885	300 - 350	105.200	103.050	103.19	1.6	102.88	1.7	100.88	2.4	146.7
Malaysia	(M$)	2.6870	+0.002	860 - 880	2.6880	2.6760	2.68	3.1	2.6645	3.3	2.727	-1.5	-
New Zealand	(NZ$)	1.7536	+0.0061	525 - 547	1.7584	1.7525	1.7548	-0.9	1.7593	-1.3	1.7812	-1.6	-
Philippines	(Peso)	27.5500	-	000 - 000	27.7000	27.4000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7502	-0.0001	500 - 504	3.7504	3.7500	3.7509	-0.2	3.7532	-0.3	3.7647	-0.4	-
Singapore	(S$)	1.5635	-0.006	630 - 640	1.5692	1.5630	1.5629	0.5	1.5624	0.3	1.561	0.2	-
S Africa (Com.)	(R)	3.5925	+0.036	900 - 950	3.6140	3.5500	3.609	-5.5	3.635	-4.7	3.728	-3.8	-
S Africa (Fin.)	(R)	5.6435	+0.6185	400 - 469	5.6469	4.9100	5.6775	-7.2	5.7375	-6.7	-	-	-
South Korea	(Won)	810.600	-0.15	500 - 700	811.000	809.800	813.6	-4.4	817.1	-3.2	835.6	-3.1	-
Taiwan	(T$)	26.3800	+0.005	800 - 800	26.3800	26.3700	26.4455	-3.0	26.546	-2.5	-	-	-
Thailand	(Bt)	25.2600	-0.07	500 - 700	25.3100	25.2500	25.34	-3.8	25.465	-3.2	25.965	-2.9	-

†SDR rate for Apr 8. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Apr 8. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 11		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.03	16.65	4.862	1.999	4620	5.455	21.05	493.9	393.1	22.43	4.095	1.932	3.954	2.847	294.2	2.511
Denmark	(DKr)	52.54	10	8.750	2.555	1.050	2428	2.866	11.06	259.5	206.5	11.78	2.152	1.015	2.078	1.496	154.6	1.319
France	(FFr)	60.05	11.43	10	2.920	1.201	2775	3.276	12.64	296.6	236.1	13.47	2.459	1.160	2.374	1.710	176.7	1.508
Germany	(DM)	20.57	3.915	3.425	1	0.411	950.3	1.122	4.331	101.6	80.85	4.613	0.842	0.397	0.813	0.586	60.51	0.516
Ireland	(I£)	50.02	9.520	8.329	2.432	1	2311	2.729	10.53	247.1	196.6	11.22	2.048	0.966	1.978	1.424	147.1	1.256
Italy	(L)	2.164	0.412	0.360	0.105	0.043	100.	0.118	0.456	10.69	8.508	0.485	0.089	0.042	0.086	0.062	6.367	0.054
Netherlands	(Fl)	18.33	3.489	3.053	0.891	0.367	847.0	1	3.860	90.55	72.06	4.111	0.751	0.354	0.725	0.522	53.93	0.460
Norway	(NKr)	47.50	9.039	7.909	2.309	0.950	2194	2.591	10	234.6	186.7	10.65	1.945	0.917	1.878	1.352	139.7	1.193
Portugal	(Es)	20.25	3.853	3.372	0.984	0.405	935.5	1.104	4.263	100.	79.59	4.540	0.829	0.391	0.801	0.576	59.56	0.508
Spain	(Pta)	25.44	4.842	4.236	1.237	0.509	1175	1.388	5.356	125.7	100.	5.705	1.042	0.491	1.006	0.724	74.84	0.639
Sweden	(SKr)	44.59	8.487	7.425	2.168	0.891	2060	2.432	9.388	220.2	175.3	10	1.826	0.861	1.763	1.270	131.2	1.120
Switzerland	(SFr)	24.42	4.648	4.067	1.187	0.488	1128	1.332	5.142	120.6	95.99	5.476	1	0.472	0.966	0.695	71.84	0.613
UK	(£)	51.77	9.853	8.621	2.517	1.035	2392	2.824	10.90	255.7	203.5	11.61	2.120	1	2.047	1.474	152.3	1.300
Canada	(C$)	25.29	4.813	4.212	1.230	0.506	1169	1.380	5.325	124.9	99.41	5.672	1.036	0.489	1	0.720	74.40	0.635
US	($)	35.12	6.685	5.849	1.708	0.702	1623	1.916	7.395	173.5	138.1	7.877	1.438	0.678	1.389	1	103.3	0.882
Japan	(Y)	339.9	64.69	56.61	16.53	6.796	15706	18.54	71.57	1679	1336	76.23	13.92	6.566	13.44	9.678	1000.	8.536
Ecu		39.82	7.579	6.632	1.936	0.796	1840	2.172	8.385	196.7	156.5	8.931	1.631	0.769	1.575	1.134	117.2	1

Yen per 1,000, Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Jun	0.5825	0.5835	+0.0016	0.5844	0.5825	26,095	69,493
Sep	0.5823	0.5822	+0.0019	0.5823	0.5822	25	2,604
Dec	0.5824	0.5822	+0.0021	0.5824	0.5822	1	119

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Jun	0.9541	0.9695	+0.0164	0.9715	0.9540	25,614	52,216
Sep	0.9610	0.9747	+0.0162	0.9770	0.9610	109	2,175
Dec	-	0.9800	-	0.9800	-	-	-

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Jun	0.6921	0.6952	+0.0041	0.6957	0.6921	17,031	33,798
Sep	0.6960	0.6986	+0.0046	0.6966	0.6958	21	320
Dec	-	0.6941	-	-	-	-	-

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Jun	1.4722	1.4714	-0.0012	1.4754	1.4704	10,023	46,323
Sep	-	1.4680	-	-	1.4680	58	925
Dec	-	-	-	-	-	-	-

EMS EUROPEAN CURRENCY UNIT RATES

Apr 11	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.796405	+0.003899	-1.51	3.75	10
Netherlands	2.19672	2.17358	-0.00086	-1.05	3.27	-
Belgium	40.2123	39.8714	-0.0409	-0.85	3.06	6
Germany	1.94964	1.93685	+0.00036	-0.66	2.86	-
France	6.53883	6.63326	-0.0016	1.44	0.73	-12
Spain	154.250	156.706	+0.225	1.59	0.58	-11
Denmark	7.43679	7.58293	-0.00068	1.97	0.21	-13
Portugal	192.854	197.065	+0.01	2.18	0.00	-15
NON ERM MEMBERS						
Greece	264.513	284.193	+0.072	7.44	-4.89	-
Italy	1793.19	1837.78	-6.41	2.49	-0.30	-
UK	0.786749	0.768666	+0.001938	-2.30	4.59	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	May	Jun	PUTS Apr	May	Jun
1.400	7.35	7.21	7.23	-	-	0.16
1.425	4.86	4.84	5.07	-	0.11	0.49
1.450	2.44	2.76	3.23	-	0.52	1.13
1.475	0.45	1.27	1.87	0.49	1.46	2.20
1.500	-	0.44	0.95	2.52	3.08	3.72
1.525	-	0.10	0.42	4.94	5.23	5.68

Previous day's vol., Calls 5,803 Puts 12,254 . Prev. day's open int., Calls 500,785 Puts 445,961

WORLD INTEREST RATES

MONEY RATES

April 11	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Germany	5.78	5.70	5.60	5.50	5.38	6.75	5.25	5.73
week ago	5.50	5.70	5.70	5.60	5.43	6.75	5.25	5.76

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.55	94.56	+0.01	94.60	94.55	20475	226253
Sep	94.82	94.83	+0.02	94.86	94.82	13923	165182
Dec	94.97	94.98	+0.01	95.02	94.97	14900	163294
Mar	95.08	95.07	+0.01	95.11	95.06	5636	164800

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.08	92.06	-	92.14	92.06	5078	55639

UK INTEREST RATES

LONDON MONEY RATES

Apr 11	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 - 3 1/2	4 15/16 - 4 5/8	5 1/16 - 5	5 3/16 - 5 1/16	5 7/16 - 5 5/16	5 3/4 - 5 5/8
Sterling CDs	-	-	5 1/32 - 5 1/32	5 7/32 - 5 5/32	5 3/8 - 5 1/4	5 5/8 - 5 9/16
Treasury Bills	-	-	4 29/32 - 4 27/32	5 - 4 15/16	-	-
Bank Bills	-	-	4 29/32 - 4 27/32	5 - 4 31/32	5 1/8 - 5 3/32	-
Local authority deps.	4 9/16 - 4 7/16	4 13/16 - 4 11/16	5 1/16 - 4 15/16	5 3/16 - 5 1/16	5 9/16 - 5 7/16	5 9/16 - 5 7/16
Discount Market Deps	4 1/2 - 4	4 7/8 - 4 3/4	-	-	-	-

UK clearing bank base lending rate 5 1/4 per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1 1/2	4	3 3/4	3 3/4	3 1/2

Certs of Tax dep. under £100,000 is 1 1/2pc. Deposits withdrawn for cash 1/2pc.
Ave. tender rate of discount 4.9125pc. ECGD fixed rate Stg. Export Finance. Make up day March 31, 1994. Agreed rate for period Apr 26, 1994 to May 24, 1994, Schemes II & III 6.47pc. Reference rate for period Mar 1, 1994 to Mar 31, 1994, Schemes IV & V 5.214pc. Finance House Base Rate 5 1/2pc from Apr 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.52	94.56	+0.05	94.58	94.52	10783	113204
Sep	94.31	94.35	+0.05	94.38	94.31	6576	82674
Dec	94.00	94.05	+0.06	94.07	93.99	5205	116041
Mar	93.62	93.66	+0.07	93.66	93.52	1641	46118

Traded on APT. All Open interest figs. are for previous day.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

BASE LENDING RATES

APPOINTMENTS

هكذا من الاصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 11 / Sch)

BELGIUM/LUXEMBOURG (Apr 11 / Frs.)

DENMARK (Apr 11 / Kr)

FINLAND (Apr 11 / Mkk)

FRANCE (Apr 11 / Frs.)

GERMANY (Apr 11 / Dm.)

ITALY (Apr 11 / Lire)

NETHERLANDS (Apr 11 / Fls.)

NORWAY (Apr 11 / Kroner)

SPAIN (Apr 11 / Pts.)

SWEDEN (Apr 11 / Kronor)

SWITZERLAND (Apr 11 / Frs.)

PACIFIC

JAPAN (Apr 11 / Yen)

HONG KONG (Apr 11 / H.K.$)

MALAYSIA (Apr 11 / MYR)

SINGAPORE (Apr 11 / S$)

AUSTRALIA (Apr 11 / Aus$)

NORTH AMERICA

CANADA

TORONTO (Apr 11 / Can $) 4 pm close

MONTREAL (Apr 11 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Apr 11 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, April 11, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi	4.8m	969	+15	NEC	2.4m	1110	
Teijin	4.5m	541	+9	Mitsui Toatsu	2.4m	406	+5
M'bushi Rayon	3.8m	416	+9	Nippon Steel	2.3m	350	-3
Japan Energy	3.6m	405	-20	Ricoh	2.3m	877	-5
Sumitomo Lt Metal	3.3m	390	+27	Sakai Ovex	2.3m	576	+56

INDICES

	Apr 11	Apr 8	Apr 7	1994 High		1994 Low	
Taiwan Weighted Pr.(30/6/66)**	5488.46	5528.47	5475.68	6454.52	6/1	5194.63	19/3
Thailand Bangkok SET (30/4/75)	1236.28	1224.0	1224.74	1753.73	4/1	1196.39	4/4
Turkey Istanbul Cmp.(Jan 1986)	20481.5	20034.9	18610.7	20883.80	13/1	12990.70	24/3
WORLD MS Capital Int (1/1/70)§	609.2*	604.3	605.4	641.80	1/2	591.69	4/4
CROSS-BORDER Eurotrack 100(26/10/90)	1479.07	1461.08	1457.70	1540.19	31/1	1393.80	2/3
Euro Top-100 (26/6/90)	1270.63	1256.09	1249.78	1311.81	2/2	1282.49	2/3
JCapalDgns (31/12/88)	(u)	306.55	306.30	395.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	151.67	151.32	149.94	182.72	14/2	147.35	5/4
Italy Banca Comm Ital (1972)	758.84	758.63	746.38	788.64	11/4	588.65	10/1
MIB General (4/1/94)	1247.0	1212.0	1194.0	1247.88	11/4	944.08	10/1
Japan Nikkei 225 (16/5/49)	19898.08	19834.99	19890.98	20677.77	18/3	17369.74	4/1
Nikkei 300 (1/10/82)	296.57	296.41	295.54	304.25	1/3	268.22	4/1
Nikkei Topix (4/1/68)	1614.05	1613.30	1613.19	1653.27	18/3	1445.97	4/1
2nd Section (4/1/68)	2234.41	2235.42	2244.89	2244.89	7/4	1873.33	4/1
Malaysia KLSE Comp.(4/4/86)	973.34	961.95	966.18	1314.46	5/1	928.33	4/4

** Sat Apr 9 : Taiwan Weighted Price 5585.84; Korea Comp Ex 883.42. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♣ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Apr 11 - 2224.65 +21.67

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Apr	2130.0	2151.0	+32.0	2160.0	2129.0	20,467	26,699
May	2129.0	2152.0	+32.0	2158.0	2129.0	1,010	8,963
Jun	2112.0	2135.0	+32.0	2141.0	2112.0	1,551	21,482

Open interest figures for previous day.

US INDICES

Dow Jones	Apr 8	Apr 7	Apr 6	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3674.26	3693.26	3679.73	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	99.60	99.84	99.91	105.81 (21/1)	99.60 (8/4)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1637.39	1653.73	1651.66	1862.29 (2/2)	1606.94 (4/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	194.63	196.81	196.08	227.66 (3/1)	192.99 (4/4)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3717.15 (3712.83) Low 3644.03 (3642.59) (Theoretical♣)
Day's high 3701.03 (3696.71) Low 3655.25 (3658.13) (Actual♣)

Standard and Poors	Apr 8	Apr 7	Apr 6	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	447.10	450.88	448.05	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	522.53	527.30	524.03	580.59 (2/2)	513.34 (4/4)	580.59 (2/2/94)	3.62 (21/6/32)
Financial♥	43.18	43.16	42.69	46.56 (31/1)	41.29 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	248.29	250.22	248.66	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	441.21	441.76	440.98	487.89 (2/2)	434.13 (4/4)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	748.71	755.17	750.72	803.93 (18/3)	727.41 (4/4)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Apr 8	Mar 31	Mar 25	Year ago
Dow Jones Ind. Div. Yield	2.78	2.81	2.70	3.02
	Apr 6	Mar 30	Mar 23	Year ago
S & P Ind. Div. yield	2.48	2.51	2.39	2.49
S & P Ind. P/E ratio	23.87	23.55	24.83	26.13

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Jun	447.25	447.70	+0.25	448.70	446.30	71,101	185,464
Sep	-	-	-	-	-	-	-
Dec	-	-	-	-	-		

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Pacific Tele	4,011,800	22¾	+2¼
Chrysler	3,604,300	51	-2⅝
Airtouch	3,417,100	21⅞	+¼
Gen Motors	3,087,600	57¼	-2⅜
Telefonos	3,067,700	58⅜	-1¼
Amer Express	2,866,100	29¾	+1⅛
Woolworth	2,779,100	15	+⅛
Merck	2,340,900	30	+¼
Nationsbank	2,333,400	49¾	+1⅝
Philip Morris	2,289,500	49¼	-1¼

■ TRADING ACTIVITY

● Volume (million)

	Apr 8	Apr 7	Apr 6
New York SE	257.465	281.320	300.789
Amex	14.345	16.289	16.404
NASDAQ	269.821	284.686	293.824
NYSE			
Issues Traded	2,791	2,772	2,799
Rises	802	1,363	1,271
Falls	1,388	759	950
Unchanged	601	651	578
New Highs	24	32	19
New Lows	78	58	60

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close April 11

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
17⅞	14⅛	AAR	0.48	3.0	33	137	16	15⅝	16	+¼
16⅞	14	A L Labs A x	0.18	1.2	38	113	15⅝	15⅜	15½	-⅛
65½	58¼	AMP	1.68	2.8	21	2087	60⅛	59⅝	59⅞	
72¾	55½	AMR			27	9396	57⅛	55⅞	56¼	-1⅝
5	3⅝	ARX			16	623	4⅞	4⅝	4¾	+⅛
56⅛	41⅜	ASA	2.00	5.0	26	1426	41	d39¼	39⅞	-1¾
30⅝	25⅜	AbbtL x	0.76	2.8	15	11316	27⅛	26⅛	26⅞	+1.14
13¾	11⅜	Abitibi Pr	0.50	3.9	8	15	12¾	12¾	12¾	+⅛
13¾	11⅛	Accptncein			21	30	11⅝	11½	11½	-⅛
31	24½	ACE Ltd	0.40	1.4	4	785	28½	27⅞	28¼	
12½	10⅞	ACM Gvt In	1.09	9.8		330	11⅛	11	11⅛	+⅛
10⅛	7⅞	ACM GvOpp	0.80	9.4		29	8½	8⅛	8½	+⅛
10⅝	8⅜	ACM Gvt Sp	0.96	11.0		547	8¾	8⅝	8¾	+⅛
12	9¾	ACM Gvt Se	1.09	10.6		194	10⅜	10¼	10⅜	
11¾	8¾	ACM Man	1.08	11.1		116	9¾	9⅝	9¾	
9¼	8	ACM Managd	0.72	8.7		50	8¼	8¼	8¼	
10¾	8¾	AcmeClv	0.44	3.9	14	420	u11¾	11	11⅜	+⅝
8½	7⅛	Acme Elect			34	112	8⅜	7⅞	8	-⅛
28¼	23	Acordia	0.60	2.2	13	6	27⅛	27	27	
9¼	5¾	Actava	0.36	5.6	2	25	6⅜	6¼	6⅜	
13⅞	11¼	Acuson			98	89	12¾	12⅝	12¾	
18⅜	16½	Adams Expr	0.36	2.1	0	158	17⅛	17	17⅛	
64	46½	Ad Micro	3.00	5.3		710	56⅝	55⅜	56¼	-⅛
31¾	16¾	AdvMic	3.00	10.9	12	9739	28	27⅜	27⅝	-⅜
6⅞	5⅝	Advest Grp	0.16	2.7	9	152	6⅛	5⅞	6	
20	16¾	AGvo Inc x	0.10	0.6	119	60	18	17¾	17⅞	-⅛
57¼	49⅜	Aegon ADR	1.23	2.3	11	40	53	51⅝	52¾	+1⅛
65¾	50	Aetna L	2.76	5.2	9	3218	53⅛	52	53⅛	+1
31⅞	25¼	Aflac	0.40	1.3	13	5058	30¼	29⅞	30¼	+¼
20⅛	16⅜	Ahmnsn	0.88	5.0	11	3625	17⅜	17⅛	17⅝	+½
4	1⅜	Aileen Inc			2	31	2¾	2¾	2¾	
49⅞	43⅜	AirPrC x	0.92	2.0	25	1556	45¾	45⅛	45½	+⅜
39⅞	33⅛	Airbne Frt	0.30	0.8	21	614	36	35¾	35¾	-⅜
26	19¾	Airgas Inc			39	230	22¾	21⅞	22⅜	+½
18⅛	14⅞	Airlease	1.84	11.7	12	19	15¾	15⅝	15¾	+⅛

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4 pm close April 11

NYSE COMPOSITE PRICES

Continued from previous page

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
16½	13⅝	SbyIG	0.36	2.5	8	3321	14⅛	14	14⅛	-⅛
27	18¾	Safeway			36	1257	26¼	25¾	26¼	
6⅞	4⅞	SafewayW96				45	6⅛	6⅛	6⅛	
57⅞	50¼	StJoePaper	0.20	0.4	286	93	54¾	54⅛	54⅝	-¼
30¼	28	StJoeL&P	1.80	6.1	14	5	29⅛	29⅛	29⅝	-⅛
90	76¾	StPaul	3.00	3.8	7	1047	76⅝	77½	78⅝	-⅛
8⅞	6⅛	Salant Crp			9	28	7¼	7¼	7¼	
48⅞	42⅝	Sallie Mae	1.40	3.2	9	2830	44¼	43	43⅞	+⅞
13⅞	11⅞	Salomon Br	0.34	2.7		588	12¾	12¼	12⅝	+⅛
52¾	44⅝	Salomon	0.64	1.2	7	2457	52½	51⅞	52¼	+⅝
25	21½	SnDgGE	1.52	6.9	11	1812	22⅛	22	22	-⅛
10	7½	SantaFeERs	0.16	2.0	8	1308	8	7⅞	8	+⅛
40	34⅝	SantaFePac	2.80	7.9	16	88	36½	35⅛	35½	-⅜
28¾	21¾	SanFeP	0.10	0.4	13	3396	24½	24	24⅛	+⅜
28	20⅞	SaraLee	0.64	3.0	14	5270	21⅞	21½	21⅝	+⅛
50⅛	44⅝	Scana Corp	2.82	6.3	12	179	44⅞	d44½	44¾	-⅛
20½	16	Scecrp x	1.42	8.8	11	2818	16¼	16⅛	16⅛	-⅛
40½	34⅝	SchererRP			28	588	35⅞	d34⅜	34⅞	+⅛
69⅜	54½	SchrPl	1.80	3.2	13	6011	57¼	56¼	56⅝	+⅛
61½	50¾	Schlmb	1.20	2.3	21	4397	53⅛	51⅝	52	-1⅛
33	25¼	Schwab(C)	0.28	1.0	13	1035	28⅜	28	28⅛	
19⅜	8¼	Schwitzer			28	28	10	9⅞	9⅞	-⅛
36⅞	25¼	SciAtl	0.12	0.4	55	832	27⅞	27⅜	27⅝	+⅜
16⅝	13⅞	Scotsman	0.10	0.7	13	5	14	14	14	
45⅜	38⅜	ScottP	0.80	2.0	10	2328	40⅛	d39⅝	39⅞	-¼
28⅞	18⅝	ScudderNAsF	0.21	1.0		70	21¾	21⅛	21¼	+⅛
12⅝	9⅞	ScudderNEuF	0.16	1.5		55	10⅝	10⅜	10⅝	+⅛
18⅛	16½	SeaCnB	0.70	4.0	8	2	17½	17½	17½	+⅛
16⅞	15⅛	SeaC1.462S	1.46	8.9		10	n16½	16¼	16½	+½
31	28¼	Seagrm	0.56	1.9	37	4973	29¾	28¾	29⅛	+⅛
28⅝	23	Seagull En			31	459	24½	24⅛	24¼	-⅛
31⅝	27¼	Sealed Air			20	435	27⅞	27⅜	27⅜	-¼
55⅛	42⅞	SearsR	1.60	3.3	7	7172	48¼	46⅞	47⅞	+¾
[illegible]										

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
18¼	16⅛	TNP Enterp	1.63	10.0	16	141	16½	16¼	[illegible]	
77½	65¾	TRW	1.88	2.7	20	871	70⅝	69¼	[illegible]	
11¼	7⅛	T2 Medcl	0.10	1.0	9	1126	10⅜	10⅛	[illegible]	
39⅞	22½	Taiwan Fd				274	27	26⅜	[illegible]	
7½	5⅞	Talleyind	0.42	8.2	8	163	7⅛	6⅞	[illegible]	
12¾	10	Talley Pf	1.00	8.4		8	11⅞	11⅝	[illegible]	
44½	36⅞	Tambrds	1.68	4.5	19	1108	37⅞	37¼	[illegible]	
16⅛	10⅞	Tandem			3	1257	15	14⅝	[illegible]	
49⅞	30¾	Tandy	0.60	1.7	14	3688	35½	34⅛	[illegible]	
12¾	10⅛	Taurus Mun	0.70	6.0		175	12	11⅝	[illegible]	
22⅝	18¾	Teco Energ	0.96	5.0	14	434	19⅝	18¾	[illegible]	
32⅞	29⅝	Tektrnx x	0.60	1.8	21	5456	32½	31⅛	[illegible]	
3¾	2¾	Telecm			18	47	3⅜	3¼	[illegible]	
26⅞	16⅝	Teldyn	0.80	4.8	12	379	16¾	d16⅝	[illegible]	
46⅛	34⅝	TeleEspSA	1.05	2.7	7	2808	39⅞	39⅛	[illegible]	
76	56⅜	Telmex	1.53	2.7		1220164	58¾	57¾	[illegible]	
54¾	44½	Tmpinl	1.00	2.1	39	1175	47⅝	47	[illegible]	
30⅝	19½	TempltEmMk	0.17	0.7		234	23¾	23½	[illegible]	
8⅞	7	TempltGlob	0.60	8.4		78	7¼	7⅛	[illegible]	
8	6⅞	TempltnGFd x	0.60	8.6		986	7⅛	7	[illegible]	
59¾	51⅛	Tenneco	1.60	3.0	20	3688	54	53⅛	[illegible]	
30	25⅝	Teppco Ptrs	2.28	8.3	10	108	27¾	27½	[illegible]	
31½	23⅝	Teradyne			25	475	25⅞	25⅝	[illegible]	
9⅞	6½	Terex	0.06	0.8	1	36	7½	7¼	[illegible]	
8⅝	6¼	Terra Inds	0.08	1.1	21	428	7⅜	7⅛	[illegible]	
12⅛	5¾	Tesoro			19	359	10⅝	10⅜	[illegible]	
68⅛	61	Texaco	3.20	4.9	14	4157	64⅞	63⅝	[illegible]	
51⅞	50	Texaco C	3.00	5.0		33	50⅞	50⅝	[illegible]	
39¾	29⅝	Texas Ind	0.20	0.5	48	142	d39¾	38¾	[illegible]	
89½	61	TxInst x	0.72	0.9	15	4929	78¾	76½	[illegible]	
21½	18¾	Texas Pac	0.40	2.1	23	19	19½	18¾	[illegible]	
43½	36¾	TxUtil	3.08	8.3	22	2045	37⅛	36⅝	[illegible]	
4⅛	3¼	Texfi Inds	1.10	27.5	2	35	4	3⅞	[illegible]	
60⅝	53¼	Textrn	1.40	2.6	12	575	54½	54⅛	[illegible]	
4⅛	4	Thackeray			66	12	4⅛	4	[illegible]	
[illegible]										

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

- T -

[illegible]

Price data supplied by Telekurs

[illegible]

4 pm close April 11

AMEX COMPOSITE PRICES

[illegible]

NASDAQ NATIONAL MARKET

4 pm close April 11

[illegible]

AMERICA

Dow climbs as end is seen to correction

Wall Street

US share prices were mostly higher yesterday morning as the stock market started a week packed with important economic statistics in an upbeat fashion, *writes Patrick Harverson in New York.*

By 1 pm. the Dow Jones Industrial Average was up 19.33 at 441.06. The more broadly based Standard & Poor's 500 was also higher at the halfway mark, up 2.35 at 449.45, while the American Stock Exchange composite was down 0.16 at 441.05 and the Nasdaq composite 0.15 easier at 748.56. Trading volume on the NYSE was 134m shares by 1 pm. and rises outpaced declines by 1,024 to 930.

Although share prices opened the session firmer, it was not until late in the morning that blue chip stocks began to post anything more than modest gains. Analysts said that there was no particular news that inspired the buying. They attributed the gains to a growing feeling among investors that the market's recent correction – which saw the Dow lose 10 per cent of its value over two months – was over.

Market sentiment was also seen as positive ahead of this week's crucial inflation data. The March producer prices index is due out today, and is expected to show only a slight increase in prices, while an equally modest rise is forecast for the March consumer prices index, which will be released tomorrow. Investors seem confident that the prices data will reassure the bond market that inflation is not getting out of hand, in spite of the recent sharp spurt in economic growth.

Although the market has been unnerved in recent weeks by political developments overseas, traders said the raids by US fighters on Serbian military positions in Bosnia-Hercegovina overnight and again yesterday morning had little impact on trading.

Among individual stocks, automobile manufacturers were all higher, buoyed by reports that analysts believe that rising interest rates will not undermine the strong recovery in car sales. Chrysler climbed $1^{3}/_{4}$ to $\$52^{3}/_{4}$ in volume of 2m shares, Ford added $\$^{3}/_{4}$ at $\$59^{3}/_{4}$, and General Motors firmed $\$^{3}/_{4}$ to $\$58^{3}/_{4}$.

Bank stocks were in demand as Wall Street anticipated another strong quarterly reporting season from the sector. BankAmerica rose $\$1^{1}/_{4}$ to \$42, Chemical added \$1 at $\$38^{3}/_{4}$, Citicorp appreciated $\$^{3}/_{4}$ to $\$39^{3}/_{4}$ and Nationsbank put on $\$2^{3}/_{4}$ at $\$51^{1}/_{4}$.

On the Nasdaq market, leading technology stocks eased. Intel softened $\$^{3}/_{4}$ to $\$69^{3}/_{4}$, Microsoft $\$^{1}/_{4}$ to $\$86^{1}/_{4}$ and Apple $\$^{1}/_{4}$ to $\$33^{1}/_{4}$.

Canada

Toronto slipped at noon in dull conditions, along with the Canadian dollar and bonds, as the market awaited further indications of the outlook for the US economy.

The TSE 300 composite index was down 10.80 at 4,316.61 at midday in volume of 21.38m shares.

Brazil

Brokers in São Paulo said that a 5.4 per cent rise in share prices reflected a thin market, and buying to square portfolios ahead of the futures index and options settlements tomorrow and next Monday. The Bovespa index was 834 higher at 16,208 at 1300 local time.

SOUTH AFRICA

Currency factors dominated trading as the financial rand weakened sharply. The overall index advanced 57 to 5,009 and industrials put on 24 at 5,756. The golds index added 59 at 2,010. De Beers strengthened R3.25 to R108.50.

EUROPE

Paris worries over decline in turnover

Bourses rose, but the day was less exciting than it looked, *writes Our Markets Staff.*

PARIS added 1.4 per cent with many investors looking ahead to Thursday's Bundesbank meeting, hoping that this might trigger a further round of Europe-wide rate cuts. The CAC-40 index put on 30.51 to 2,145.28.

However, professionals were worried by the relative lack of activity as turnover remained at a modest FFr3bn. UBS said that after average daily turnover of some FFr8bn in January and FFr6bn in February, the figure had shrunk to a daily average of FFr4.7bn last month. The Swiss bank noted an absence of foreign investors and a steady stream of rights issues, inflated last week by Cap Gemini Sogeti and Cerus and with further additions expected soon from Euro Disney and Eurotunnel.

Peugeot climbed FFr21 or 2.4 per cent to FFr895, as brokers revised their estimates upwards. Kleinwort Benson, which recently issued a buy note, forecast outperformance based on success with new models and benefits arising from restructuring measures.

FRANKFURT fed on the global switch to cyclicals, Daimler leading the market up with a DM17 rise to DM878 as the Dax index rose 21.99 to 2,225.33.

Turnover eased from DM10.2bn to DM9.6bn. Daimler led the active stocks list in DM1.3bn after Der Spiegel said over the weekend that group net profits would fall from DM1.45bn to DM615m in 1993.

Among the less fashionable financials, however, Commerzbank fell DM1.50 to DM362.00 after it said that group net profits dropped in 1993. The bank raised its dividend, but also announced a DM400m capital increase.

Back among the cyclicals, Siemens closed the session up DM10.30 at DM731.30, benefiting from its recent underperformance. Thyssen jumped DM6.30 to DM280.00 and Mannesmann by DM10 to DM441.50 on a large buy order.

MILAN extended its post election rally, the Comit index rising another 19.35 or 2.5 per cent to 775.88.

Fiat remained at the centre of attention, adding L420 or 6.7 per cent to L6,630, for a cumulative 18.3 per cent rise since Easter. Yesterday, speculation mounted that the new government might introduce tax incentives to boost car sales, like those recently announced by the Spanish and French governments. But Mr Nicholas Potter at Credito Italiano International commented that while the idea of such incentives was sound, it was not compelling given the other commitments awaiting the new administration.

Pirelli surged L168 or 5.6 per cent to L3,159, off a day's high of L3,270, after reports that it was joining forces with Alcatel Alsthom to buy a joint stake in Stet which is slated for privatisation later this year.

ZURICH saw profit-taking but the SMI index still finished 10.6 higher at 2,884.0.

The market was driven by heavy demand for UBS, SFr10 higher at SFr1,268, but elsewhere, the financial sector was mixed. Zurich Insurance bearers fell SFr23 to SFr1,330 while Swiss Re, supported by a buy recommendation from Credit Suisse, rose SFr12 to SFr630.

Nestlé, a target of renewed US institutional buying, added SFr18 to SFr1,234.

Investors gave a mixed response to first quarter sales figures from Roche. While a 12 per cent rise in local currency terms was seen as satisfactory, there was disappointment that this translated into a rise of just 6 per cent in Swiss francs. The certificates gave up an early SFr45 advance to end unchanged at SFr7,150.

AMSTERDAM was motivated by impressive rises in the internationals as the AEX index rose another 7.12, or 1.7 per cent to 422.71. Royal Dutch recorded its fourth successive gain as more foreign investors entered as buyers. The shares advanced Fl 3.60 to Fl 204.40.

Unilever, up Fl 5.40 to Fl 204.70, was another good performer as the company reiterated its commitment to brand products, an area which has come up against increasing pressure recently from unbranded products.

Ahold was one of the few stocks to go against the trend, losing 40 cents to Fl 48.60, after denying reports that its domestic supermarket chain had been losing market share in the first months of 1994.

WARSAW tumbled another 10.7 per cent as investors, shaken by last week's falls, continued to sell. The WIG index fell 1,436.7 to 11,959.7, down by 42.4 per cent since its peak on March 8.

Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Apr 11							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1474.96	1478.07	1479.56	1480.62	1479.04	1478.45	1478.98	1478.07
FT-SE Eurotrack 200	1487.79	1490.78	1491.50	1492.22	1491.87	1491.29	1490.27	1490.72
	Apr 8	Apr 7	Apr 6	Apr 5	Mar 31			
FT-SE Eurotrack 100	1461.06	1457.70	1446.03	1436.65	1418.70			
FT-SE Eurotrack 200	1477.01	1475.47	1468.41	1446.82	1440.06			

Base 1000 (26/10/90) Highday: 100 - 1480.91; 200 - 1494.45 Lowday: 100 - 1474.18 200 - 1487.78

Copenhagen Airport at discount

By Hilary Barnes in Copenhagen

The first trading day of shares in the Copenhagen Airport privatisation offer was a disappointment to investors.

The shares closed at DKr291 yesterday, compared with the DKr310 which was the striking price after the Danish government offered its 25 per cent stake at an indicative price range of between DKr285 and DKr315 before Easter.

One broker commented that the international consortium behind the issue may have priced it too tightly for Danish conditions.

The fate of the airport issue was watched with special interest because of the upcoming Tele Danmark privatisation issue which is expected to pull in a massive \$3bn.

The Tele Danmark issue is currently on offer. The first trading day will be April 28, when the Copenhagen Stock Exchange will remain open late to enable trading to take place simultaneously in Copenhagen and New York.

ASIA PACIFIC

Nikkei slightly lower as political uncertainty deepens

Tokyo

Equities lost ground slightly as uncertainty over the political situation deepened, and most investors remained inactive, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average shed 36.91 to 19,898.08 as the divide between the left and right wings within the ruling coalition widened. Market participants had initially expected Mr Tsutomu Hata, current foreign minister, to succeed Mr Morihiro Hosokawa as prime minister. However, with the coalition on the edge of splitting, this seems to have become increasingly difficult to engineer.

The index fell to a low of 19,867.47 soon after the market opened and rose to a high of 19,999.30 later in the morning.

Both left and right wings of the coalition are trying to woo members of the opposition Liberal Democratic party to join them. There is also a possibility of a general election if an agreement cannot be reached soon.

There is little chance of the next government offering a totally different approach to economic policy, and the question is how soon this year's budget, which until now has been blocked by the LDP over Mr Hosokawa's allegedly dubious loans and stock dealings, can be implemented.

Volume fell sharply, to 225m shares from 525m. The Topix index of all first section stocks firmed 0.75 to 1,614.05 and the Nikkei 300 index lost 0.04 at 296.37. Advances outnumbered declines by 535 to 460, with 162 issues unchanged. In London the ISE/Nikkei 50 index eased 2.47 to 1,319.00.

Textile issues were higher on foreign buying. Teijin rose Y9 to Y541 and Mitsubishi Rayon Y9 to Y416. Chemical shares were also among the winners, with Mitsui Toatsu Chemicals up Y5 at Y406.

Japan Energy, a mining development and petroleum refining company, dropped Y20 to Y405. The company holds a 41.5 per cent stake in Kashima Oil, a privately owned refiner which announced huge unrealised losses over the weekend due to foreign exchange forward transactions.

But other shareholders of Kashima were higher on bargain hunting. Cosmo Oil gaining Y11 at Y863 and Mitsubishi Petrochemical Y20 at Y689.

Fuji Photo Film, sold last week on fears of a decline in market share, rebounded Y100 to Y2,140.

In Osaka, the OSE average ended 105.95 firmer at 22,071.13 in volume of 9.5m shares.

Roundup

Renewed Japanese buying in several of the Pacific Rim markets was attributed to the launch of fresh investment strategies at the beginning of Tokyo's new financial year, rather than political worries following the resignation of Mr Morihiro Hosokawa, the Japanese prime minister. Analysts noted that trading volume was very thin throughout the region. Bombay was closed for a public holiday.

HONG KONG saw a late round of buying, spurred by renewed demand from Japanese investors, which took the market 1.9 per cent higher in otherwise thin trade.

The Hang Seng index moved forward 178.55 to 9,476.77 in turnover that expanded to an indicated HK\$2.89bn, from HK\$2.51bn on Friday, but still well short of recent levels.

SINGAPORE advanced 2.9 per cent, with the rise attributed to US program buying and some orders from Japanese investors. The Straits Times Industrial index put on 61.71 at 2,191.95.

BANGKOK finished higher after a bout of late-session bargain hunting ahead of a three-day national holiday from today. The SET index gained 11.26 at 1,235.26 in the lowest turnover of the year at Bt3.1bn, compared with the previous lowest of Bt3.3bn on April 5.

SEOUL advanced for the sixth consecutive session in moderate trading as early gains weathered afternoon profit-taking. The composite index added 11.05 at 894.47.

MANILA was marginally higher on late buying of San Miguel, after a slow start which followed the overnight fall by PLDT in New York. The composite index firmed 5.5 to 2,643.08 as San Miguel "B" rose 4 pesos to 216 pesos.

TAIWAN reversed early gains and ended sharply lower on heavy profit-taking in banking stocks after their sharp advance late last week. The weighted index lost 77.36, or 1.4 per cent, at 5,488.48.

AUSTRALIA closed softer on one of the quietest trading days of the year, with investors cautious ahead of US economic statistics coming this week. The All Ordinaries index dipped 6.0 to 2,076.0.

Western Mining weakened 14 cents to A\$6.80 as its 48 per cent-owned aluminium unit Alcoa reported a 5.6 per cent fall in first-quarter profits.

KUALA LUMPUR was mostly easier in continued thin trading, but institutional buying of some core stocks left the composite index 11.39 higher at 973.34.

Calm reaction to Hosokawa resignation

By John Pitt

Japanese equities have reacted calmly so far to the resignation of the prime minister, Mr Morihiro Hosokawa, which has plunged the country once again into a period of political turbulence.

The market fell sharply on Friday as rumours began to circulate about the resignation, but the losses were more than recouped later in the day. Previous sessions, meanwhile, had seen enough foreign money returning to leave Japan, in local currency terms, as one of the week's strongest performers in the FT-Actuaries World Indices.

Strategists seem agreed that the Hosokawa resignation, a distinct possibility for some time, is not a major threat to the investment climate. NatWest Markets, for instance, comments that while foreign investors might, in the short term, become a little more reserved, "unless the economy falters or suffers a relapse – possible, but not guaranteed – expectations of a turnround in corporate earnings are likely to remain relatively positive".

Salomon Brothers is even more upbeat, revising its year-end target for the Nikkei 225 index up from 20,000 to 24,000, and moving "significantly overweight". The reasons cited include: an apparent bottoming out of the economy; the fact that most stocks, excluding financials, are inexpensive in p/e ratio terms; and further indications of economic improvement which may lead to an asset allocation switch by domestic investors from bonds into equities.

Nordic markets, with the exception of Denmark, enjoyed a fruitful week, Sweden being the best performer both in the region and overall.

Unibors Securities comments that investors were seen buying cyclicals last week, notably Volvo, Sandvik, SKF, Modo, Atlas Copco, Electrolux, Stora and Trelleborg in Sweden and Kymmene and Nokia in Finland. This week, Unibors suggests that Sweden will continue to be driven by bargain hunting "in oversold, inexpensive turnaround cyclicals".

Norway is a different story, it says, with worries over a persistent oil oversupply and its impact on interest rates undermining activity, and investors focusing on how the government might avoid a budget deficit.

Mexico showed how much volatility remains following the recent assassination of presidential candidate Mr Luis Donaldo Colosio: during the week interest rates rose sharply and the peso weakened further.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US \$ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	+1.14	-4.29	+32.21	-4.44	-2.90	-3.22
Belgium	+0.99	-2.43	+13.29	-1.90	+0.80	+0.48
Denmark	-1.91	-4.01	+33.34	+1.40	+3.08	+2.73
Finland	+3.16	-2.58	+69.74	+12.15	+18.10	+17.69
France	+1.50	-2.44	+11.22	-5.10	-4.21	-4.54
Germany	+3.06	+4.38	+29.15	-3.03	-1.39	-1.73
Ireland	+1.66	-3.08	+20.12	-2.37	-1.21	-1.54
Italy	+2.14	+13.73	+49.83	+22.92	+29.52	+29.07
Netherlands	+3.55	-0.25	+24.03	-1.90	-0.62	-0.95
Norway	+0.41	-2.45	+32.92	+4.51	+6.34	+5.98
Spain	+2.53	-2.94	+32.43	-1.72	+1.71	+1.36
Sweden	+5.94	-1.40	+38.72	+3.87	+10.02	+9.65
Switzerland	+2.62	+1.26	+33.01	-1.55	+1.58	+1.25
UK	+1.04	-2.38	+12.43	-7.51	-7.51	-7.82
EUROPE	+1.96	-0.16	+21.09	-3.14	-1.69	-2.02
Australia	+1.52	-3.37	+20.99	-4.29	+2.79	+2.45
Hong Kong	+2.53	-5.00	+52.76	-21.50	-21.23	-21.49
Japan	+3.12	-0.43	+2.94	+11.26	+18.43	+18.02
Malaysia	-1.12	-11.44	+56.65	-25.68	-25.18	-25.44
New Zealand	+2.84	-3.84	+33.90	-5.20	-2.70	-3.03
Singapore	+2.93	-3.22	+31.88	-16.81	-14.42	-14.71
Canada	+0.01	-2.26	+17.05	+0.23	-3.54	-3.87
USA	+0.32	-3.95	+1.01	-4.05	-3.73	-4.05
Mexico	-4.89	-8.23	+27.40	-11.64	-18.08	-18.36
South Africa	+0.04	-4.78	+41.45	+0.02	-14.33	-14.62
WORLD INDEX	+1.58	-2.04	+8.46	-0.55	+1.57	+1.23

† Based on April 8, 1994. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY APRIL 8 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY APRIL 7 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (69)	170.95	1.7	171.89	113.69	152.28	156.49	-0.3	3.48	168.06	169.85	111.36	150.11	156.94	189.15	130.19	137.98
Austria (17)	179.02	0.9	180.00	119.05	159.46	159.15	0.8	0.98	177.36	179.24	117.52	158.41	157.94	195.41	139.63	143.98
Belgium (42)	163.40	1.2	164.29	108.67	145.55	142.25	0.8	3.83	161.53	163.25	107.03	144.28	141.06	171.69	141.92	153.82
Canada (106)	130.54	0.2	131.25	86.81	116.28	130.49	-0.2	2.57	130.26	131.64	86.31	116.35	130.76	145.31	121.46	122.38
Denmark (32)	253.95	-0.6	255.34	168.88	226.21	231.66	-0.8	1.03	255.44	258.15	169.25	228.15	233.52	275.79	206.94	206.94
Finland (22)	145.00	2.0	145.79	96.43	129.16	167.92	2.0	0.89	142.09	143.60	94.15	126.91	164.60	156.72	80.86	80.86
France (98)	167.98	0.1	168.90	111.71	149.63	154.67	-0.2	2.91	167.86	169.65	111.23	149.93	154.95	185.37	149.60	163.06
Germany (58)	137.82	0.6	138.58	91.66	122.77	122.77	0.3	1.70	136.98	138.44	90.77	122.35	122.35	142.38	107.59	113.77
Hong Kong (56)	384.14	0.0	386.25	255.47	342.19	381.10	0.0	2.78	384.01	388.09	254.45	343.00	380.95	506.56	251.27	251.32
Ireland (14)	182.36	0.7	183.36	121.28	162.45	180.81	-0.2	3.33	181.19	183.11	120.06	161.84	181.10	209.33	155.93	162.38
Italy (60)	88.53	1.6	89.02	58.88	78.86	107.79	1.1	1.61	87.11	88.03	57.72	77.80	106.59	88.53	57.88	61.26
Japan (469)	153.58	-0.2	154.43	102.14	136.81	102.14	0.2	0.79	153.88	155.52	101.96	137.45	101.96	165.91	124.54	138.24
Malaysia (98)	441.08	-0.1	443.50	293.34	392.91	456.11	-0.1	1.29	441.48	446.17	292.53	394.34	456.78	621.63	293.16	293.48
Mexico (18)	1949.30	0.6	1959.98	1296.37	1736.38	7164.65	0.7	0.70	1937.88	1958.46	1284.06	1730.89	7118.03	2647.08	1431.17	1680.37
Netherland (20)	197.21	1.3	198.29	131.15	175.67	173.14	1.1	3.24	194.67	196.74	128.99	173.88	171.33	207.43	163.30	169.31
New Zealand (14)	65.85	1.6	66.21	43.79	58.66	61.11	0.6	3.61	64.85	65.54	42.97	57.92	60.65	77.59	46.21	48.21
Norway (23)	190.38	0.8	191.43	126.61	169.59	191.65	0.4	1.73	188.94	190.94	125.19	168.76	190.94	206.42	150.61	155.18
Singapore (44)	313.46	0.6	315.18	208.46	279.23	226.71	0.6	1.72	311.45	314.76	206.37	278.19	225.33	378.92	226.08	229.47
South Africa (60)	228.10	0.4	229.35	151.70	203.19	250.63	2.1	2.45	227.11	229.52	150.49	202.85	245.47	280.26	161.89	177.50
Spain (42)	141.25	0.9	142.03	93.94	125.82	148.28	0.8	3.99	139.94	141.42	92.72	124.99	147.05	155.79	116.33	127.91
Sweden (36)	215.31	0.8	216.49	143.19	191.79	251.69	0.7	1.56	213.49	215.76	141.46	190.70	250.01	230.02	161.10	161.10
Switzerland (49)	162.14	1.0	163.02	107.83	144.43	145.15	0.5	1.86	160.60	162.30	106.41	143.45	144.47	176.56	118.09	118.98
United Kingdom (205)	189.01	0.2	190.04	125.70	168.37	190.04	-0.3	3.87	188.54	190.54	124.93	168.40	190.54	214.96	170.32	173.87
USA (520)	182.21	-0.9	183.21	121.18	162.31	182.21	-0.9	2.90	183.85	185.80	121.82	164.21	183.85	196.04	176.91	180.39
EUROPE (724)	166.15	0.6	167.06	110.50	148.00	159.88	0.2	2.91	165.20	166.95	109.46	147.55	159.56	178.58	141.58	143.82
Nordic (113)	206.13	0.7	207.26	137.09	183.62	210.87	0.5	1.35	204.72	206.90	135.65	182.86	209.80	220.60	152.85	152.85
Pacific Basin (750)	161.92	-0.1	162.81	107.68	144.24	111.98	0.1	1.08	162.03	163.76	107.37	144.73	111.82	168.80	134.79	141.46
Euro-Pacific (1474)	163.53	0.2	164.43	108.75	145.67	130.74	0.2	1.85	163.20	164.93	108.14	145.77	130.52	170.78	141.98	142.31
North America (626)	179.00	-0.8	179.98	119.04	159.45	178.61	-0.9	2.89	180.52	182.44	119.61	161.24	180.17	192.73	173.70	176.79
Europe Ex. UK (519)	150.03	0.8	150.86	99.78	133.65	140.99	0.5	2.34	148.88	150.46	98.65	132.98	140.33	155.73	122.37	125.03
Pacific Ex. Japan (281)	243.67	0.6	245.00	162.05	217.08	221.84	0.0	2.64	242.21	244.78	160.49	216.34	221.86	296.21	173.34	173.42
World Ex. US (1658)	164.29	0.2	165.18	109.26	146.35	133.75	0.2	1.86	163.95	165.69	108.63	146.44	133.50	172.51	142.88	142.94
World Ex. UK (1973)	167.34	-0.2	168.25	111.29	149.06	144.99	-0.2	2.06	167.73	169.51	111.14	149.81	145.27	175.58	152.41	152.66
World Ex. So. Af. (2118)	168.94	-0.2	169.87	112.36	150.49	148.21	-0.2	2.23	169.27	171.07	112.16	151.19	148.54	178.56	154.45	154.49
World Ex. Japan (1709)	179.57	-0.2	180.56	119.42	159.96	176.17	-0.3	2.85	179.90	181.81	119.20	160.68	176.80	195.20	164.92	164.92
The World Index (2178)	169.26	-0.2	170.18	112.56	150.77	149.02	-0.2	2.23	169.57	171.37	112.38	151.46	149.32	178.97	154.50	154.53

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Latest prices were unavailable for this edition.

Japan moves closer to early election

By William Dawkins in Tokyo

Leaders of Japan's divided seven-party coalition plan to meet today in another attempt to resolve the deadlock over a successor to Mr Morihiro Hosokawa as prime minister.

The outlook for an accord is poor – the three right-wing parties, grouped around Mr Ichiro Ozawa, the government's back-room strategist, refused to attend a summit yesterday, proposed by the Social Democratic party, leader of the coalition's left wing.

The continued stalemate increases the likelihood of an early general election, under the existing multi-seat constituency system which has been blamed for engendering corruption, and deepens the rivalry between the coalition's left and right wings.

But the outcome is unclear. Some SDP members of parliament favour an election on the grounds that the party might recover some seats lost in last summer's poll, so improving its clout in negotiating the new electoral boundaries required under the recently agreed electoral reform laws.

Mr Ozawa's supporters gave procedural reasons for not attending yesterday's summit. Political observers believe the coalition's right wing wants more time to woo potential defectors from the opposition Liberal Democratic party.

Instead, officials from the seven parties staged just a 40-minute exchange yesterday, in which they agreed to keep talking in an attempt to choose a new leader by the mid-week deadline they set themselves on Saturday. Leaders of the left- and right-wing groups held their own separate planning sessions.

At least one coalition member, the New Harbinger party, appeared to be positioning itself for an election, by issuing a manifesto. The NHP called for continued economic reform and said Japan should not try to become a leading political or military power. This contradicts the policy of Mr Ozawa's Japan Renewal party, of seeking a more internationally active Japan.

Separately, an independent panel began work yesterday on redrawing Japan's electoral map, due for completion in six months.

This is the first stage in the transition from Japan's multi-seat constituency system for electing the lower house of parliament – said to be a factor in fostering money politics – to a mix of single seats and proportional representation.

Editorial comment, Page 17

Japanese factions target LDP

Coalition parties are wooing the opposition, writes William Dawkins

Japan's political upheavals over the past few days have seen the emergence of two broad groups, on the right and left wings of the seven-party ruling coalition.

Both sides are wooing potential defectors from the opposition Liberal Democratic party, in an attempt to create the core of a future coalition government.

If they succeed in dislodging one or two LDP factions, this will be another, possibly terminal blow, to the LDP's chance of returning to power after being ousted last summer for the first time in 38 years.

The lower house has 511 seats, so any new alliance will need to muster 256 for a clear majority. The main players have lined up roughly as follows (with the number of party seats in the lower house in brackets).

On the right is the Ozawa-Hosokawa group.

The Japan Renewal party, (52 seats), is led by Mr Tsutomu Hata, the foreign minister and a reluctant front-runner for the prime ministership, plus Mr Ichiro Ozawa, who dominated policy in the coalition government.

The JRP is close to the Buddhist backed Komeito (60) or clean government party, and to the Japan New party (40), led by Mr Hosokawa. The JNP, most of whose members of parliament are first timers, has invited Komeito and the JRP to join a new group, called Reform.

The JRP can also count on the support of five former LDP members, led by Mr Mutsuki Kato, who left the party last year.

On the left is the Murayama-Takemura group:

The Social Democratic party (74) is the biggest coalition member, but weakened by a split between 20 far-left members and 54 moderates loyal to Mr Tomiichi Murayama, the party leader. The SDP has found a close ally over the past few days in Mr Masayoshi Takemura's New Harbinger party (15).

The NHP was planning to merge with Mr Hosokawa's JNP, but Mr Takemura fell out with Mr Hosokawa, once a close friend, over the prime minister's growing closeness with Mr Ozawa.

Mr Takemura and Mr Ozawa have deep personal and policy differences. Also in this camp is the Democratic Socialist party (19), a group of conservative-minded former SDP members, which now also includes four members of the former United Social Democratic party.

The above line-up could change, depending on possible defections from the LDP (219), still the largest party in the lower house, which has so far refrained from putting forward a rival prime ministerial candidate.

One main potential defector is the Watanabe faction (45), led by Mr Michio Watanabe, a former foreign minister who has said he might join the Ozawa-Hosokawa group if a "comfortable" number of supporters follow.

He would also be in the running for the post of prime minister.

Also in the market for a partner is Mr Toshiki Kaifu, a reform-minded former prime minister.

He has no formal faction, but has around 50 LDP supporters, and is being wooed by Mr Murayama of the SDP.

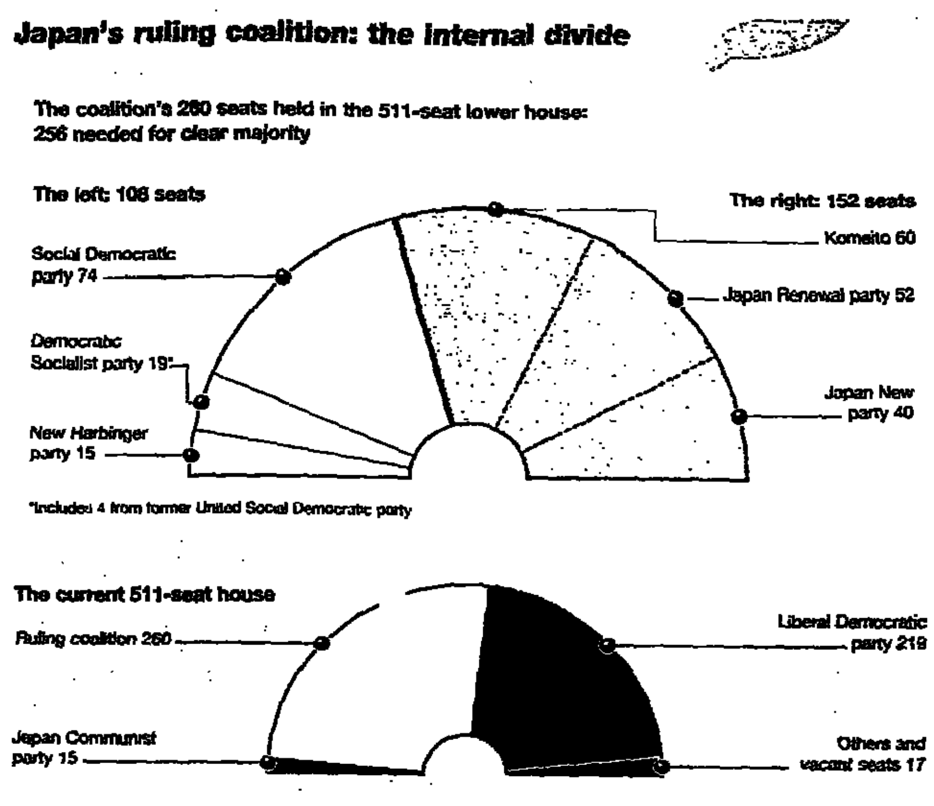
The Miyazawa faction (54), led by Mr Kiichi Miyazawa, a reform-minded former prime minister, is also said to be working loose.

Mr Miyazawa is unlikely to work with Mr Hata and Mr Ozawa, who between them destroyed his government last year by staging a rebellion, so could be a candidate for the Socialist-led group.

Finally, there is the isolated Japan Communist party (15), which is not in the coalition.

However, it could be joined by the 20 SDP hardliners, if they leave in protest at an SDP alliance with a former LDP faction.

Independents and vacant seats (12) are excluded.



Warning as China executes fraudster

China, stepping up its drive against corruption by officials, yesterday executed the businessman who masterminded one of the country's largest frauds, Reuter reports from Beijing.

Shen Taifu, the 39-year-old founder of the Changcheng machinery and electronics company, was executed by order of the Supreme People's Court after his appeal against conviction was rejected, the official Xinhua news agency said.

The court also upheld a guilty verdict against Li Xiaoshi, a former vice-minister, who was sentenced to 20 years in prison for bribery in connection with the case, Xinhua said.

Liu Jiachen, vice-president of the Supreme People's Court, urged all officials, "especially those with power", to learn proper lessons from the Changcheng scandal.

Shen's execution, and the government's lengthy case against him, were prominent items on the national radio and television news yesterday, reflecting Beijing's hopes that its tough line will bolster its anti-corruption image.

The Changcheng scandal broke last year after officials revealed the company was really a pyramid-style scam which sucked up Yuan 1bn ($114m) from unsuspecting small investors through temptations such as offers of 24 per cent interest.

After a period of tension, during which thousands of Changcheng investors feared for their savings, Beijing announced that most had recouped most of their money. It denied using state funds to bail them out.

Li Xiaoshi's involvement in the case had been rumoured from the beginning. Changcheng was launched amid praise from a number of well-known political personalities.

Li was found guilty of accepting Yn52,000 in bribes and pocketing Yn20,000 in public money while in office.

The former vice-minister's 20-year term marks a departure from China's traditional way of dealing with errant members of the Communist party elite, who usually get retired or transferred.

But anger at government corruption during economic reforms is rising. Li has become one of the highest-level officials ever publicly brought down on corruption charges.

Shen had no such status to protect him and a death sentence was widely expected as soon as he was taken into custody.

Shen's wife and accomplice, Sun Jinhong, formerly head of accounting at Changcheng, was given 15 years.

Failure of Natal peace talks sends currency to record low

Rand hit by poll uncertainty

By Mark Suzman in Johannesburg

The South African rand plunged yesterday after the failure of last Friday's peace summit between the government, the African National Congress and Zulu leaders over the strife in Natal province which threatens to disrupt the country's first all-race elections, a fortnight away.

The volatile financial rand, a currency used in non-resident investment or disinvestment and designed to protect the country's foreign reserves, crashed to a record low of R5.6435 to the dollar in London, down 61.85 cents on the day. Dealers reported heavy selling all day from both Europe and America. "It was one-way traffic," said Mr Willie Potgieter, assistant general manager for foreign exchange at Standard Bank in Johannesburg. "Once the fall started, panic selling set in."

Because the financial rand is thinly traded, relatively small movements can cause large swings in its value. It is regarded as the best barometer of international business sentiment about South Africa.

Given the uncertain political climate, most analysts believe that the currency will remain highly volatile until after the election. "I can't see the situation stabilising for a while," said Mr Ray Davies, director of Smith New Court Securities.

The commercial rand, the country's trading currency, also hit a new low, closing 3.6 cents down at R3.5925 to the dollar after falling for most of last week. Figures released over the weekend by the South African Reserve Bank show that this has been caused in part by heavy capital flight from the country, which resumed in March after having slowed significantly over the first two months of the year. According to the bank, the country's foreign reserves declined by R867m to R7.9bn.

Mr Nick Barnard, economist at stockbroker Ed Hern Rudolph, said there was no sign that the reserve bank was intervening in the markets to protect the rand. "There is unlikely to be significant reserve bank involvement until after the election, when the political situation becomes clearer," he noted. Although share prices on the Johannesburg Stock Exchange were stronger yesterday, the currency's collapse followed a bearish trend in international investor sentiment in South African bond and equity markets.

Hawke attacks media head

By Emilia Tagaza in Melbourne

Mr Conrad Black, the Canadian media owner, has been accused by Mr Bob Hawke, former Australian prime minister, of not telling the truth about his claim that the government had encouraged him to lift his stake in the Fairfax publishing group to 35 per cent.

Mr Hawke, testifying before a Senate inquiry into foreign ownership of Australian newspapers, said: "The simple fact is that Conrad Black does not tell the truth."

The inquiry, which started in December, is investigating Mr Black's claim that Mr Paul Keating, Mr Hawke's successor, had told him he would be allowed to buy a 35 per cent share in Fairfax in exchange for "balanced coverage" by the group's publications during the election in March last year. It aims to establish whether Mr Keating had sought to influence the decision of the Foreign Investment Review Board.

Kuwait boosts defence budget

The Emir of Kuwait has signed into law a KD3.5bn ($11.7bn) supplementary defence budget for weapons procurement and military training, Reuter reports from Kuwait.

The announcement signals the end of an eight-month informal freeze on a 1992-2004 rearmament programme aimed at restoring the defences of the emirate occupied by Iraq in 1990-91.

Diplomats say Kuwait is considering the possible purchase in coming years of 16 attack helicopters, eight fast patrol boats, six missile attack boats, 24 self-propelled howitzers, a multi-rocket-launch system and some general purpose helicopters.

The law, passed by parliament on March 22, also consolidates the hitherto secret supplementary allocations into the main defence budget – a move that gives the national assembly authority for the first time to examine and debate them.

The consolidation is to take effect from the 1994-95 fiscal year. Kuwait's fiscal year starts on July 1. Large weapons purchases for the Gulf oil state's 13,000-strong military force have hitherto been off-budget.

Legislative oversight was a main demand of opposition MPs campaigning for increased fiscal accountability and open government. They had attacked the procurement process as extravagant, secretive and corrupt. Diplomats say it is doubtful the assembly will be able to block spending outright. But MPs say they will be able to demand detailed plans on questionable purchases.

The supplementary budget for KD3.5bn between fiscal years 1992-93 and 2004-05 requires the government to submit to parliament each year broad plans stating how much of the total it plans to use.

Parliament, reviewing all decree laws issued following its 1986 dissolution, last year asked its financial committee to review a 1992 decree law that set aside the KD3.5bn for weapons purchases between 1992-2004.

'Comrade Joe' is no Stalin

Michael Holman on campaign trail with S African communist Slovo

SOUTH AFRICAN ELECTIONS April 26-28

Black South Africans literally sing his praises. Many of their white compatriots would like to kill him. In Cape Town's Guguletu black township he is a hero.

Former guerrilla chief, avowed communist and, according to opinion polls, the second most popular man in South Africa, Mr Joe Slovo is on the campaign trail in the country's first all-race election.

The reception for "Comrade Joe" at the Guguletu rally is rapturous. The crowd's tangible warmth takes a tired man into the crowd's embrace and visibly revives him.

A roar of approval greets the entry of Mr Slovo, South African Communist party chairman, into the township's dusty stadium, the last appointment on a 36-hour whistle-stop tour of Cape Town and its coloured and black suburbs.

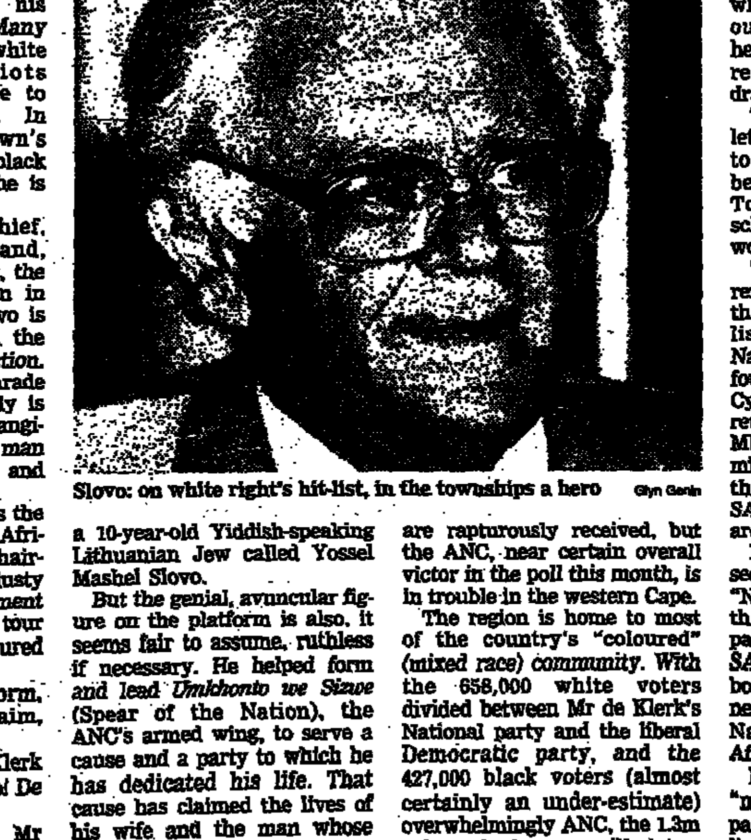
He mounts the platform, soaking in the acclaim, clenched fist aloft.

"Amandla! [power]. De Klerk must go! De Klerk must go! De Klerk must go!".

En route to Guguletu Mr Slovo, who is on the extreme right's hit-list, is squeezed between two security guards, a raincoat-draped rifle placed upright between the occupants. Two-way radios crackle as the fleet of cars careen through townships that could house hit-men, body guards sprint ahead as car doors open, and the tension that underlies Mr Slovo's life every day is brought home.

He gives no outward sign of strain. Tousled silver hair, face turning slightly pink, Mr Slovo perspires under the autumn sun. He has a sharp tongue and the debating skills of the barrister he once was.

Indeed, there is a touch of the Rumpole about him, that fictional barrister, shrewd in court, wise in the ways of the world, and on the side of the underdog almost since he arrived in South Africa in 1936, a 10-year-old Yiddish-speaking Lithuanian Jew called Yossel Mashel Slovo.



Slovo: on white right's hit-list, in the townships a hero Glyn Genin

But the genial, avuncular figure on the platform is also, it seems fair to assume, ruthless if necessary. He helped form and lead Umkhonto we Sizwe (Spear of the Nation), the ANC's armed wing, to serve a cause and a party to which he has dedicated his life. That cause has claimed the lives of his wife and the man whose memory he celebrated at the weekend – his comrade-in-arms, Mr Chris Hani.

A year ago Mr Hani, the head of Umkhonto we Sizwe and Communist party leader, was gunned down in a quiet middle class Johannesburg suburb while walking home with the morning newspaper.

At the open air memorial service under a blue Cape sky and overlooked by Table Mountain, Mr Slovo salutes Mr Hani's memory, and turns the event into a party rally.

In the life-and-death battle against apartheid, the graveyards of the 15,000 who have died of political violence since 1984 have become the platforms of the politicians, and the obsequies and ideology intermix.

His excoriation of President F W de Klerk and Zulu leader Chief Mangosuthu Buthelezi are rapturously received, but the ANC, near certain overall victor in the poll this month, is in trouble in the western Cape.

The region is home to most of the country's "coloured" (mixed race) community. With the 658,000 white voters divided between Mr de Klerk's National party and the liberal Democratic party, and the 427,000 black voters (almost certainly an under-estimate) overwhelmingly ANC, the 1.3m coloured electors will determine the outcome in the region.

With the coloureds disowned by the race that shared in their creation, disenfranchised in the 1950s, and evicted in the 1960s from their historical home known as District Six in the heart of Cape Town, Mr Nelson Mandela might seem their natural choice.

But the ANC made a tactical error in appointing as ANC regional leader Mr Alan Boesak. Although coloured and with a brave record of opposition to apartheid, his troubled private life and radical reputation bother an essentially conservative community, also fearful of ANC dominance of the new government.

Not least of their concerns is Mr Slovo himself, sent as much to set these fears at rest as rally the ANC vote. In private house meetings and in city halls he canvasses support of white professionals and coloured community leaders, helped by Mr Franklin Sonn, a respected coloured academic drafted late into the campaign.

The night before the Guguletu rally, Mr Slovo tried to lay to rest the communist bogy before an audience in Cape Town university's medical school of doctors and medical workers, mostly white.

The influence of the SACP is reflected in the candidates. Of the top 200 names on the ANC list for the 400-member National Assembly, Mr Slovo is fourth, after Mr Mandela, Mr Cyril Ramaphosa, the ANC secretary general, and Mr Thabo Mbeki, the "shadow" foreign minister. Another 33 people on the list are acknowledged SACP members; a further five are former members.

But, says Mr Slovo, what you see and hear is what you get: "No hidden agenda", he tells the audience, pointedly comparing the open stance of the SACP to the secretive Broederbond, the élite group of Afrikaners that in its heyday ran the National party and South Africa.

He concedes there has been a "murky side" to the SACP past, "locked into horrific Stalinist distortions".

The response, whether at the University of Cape Town, at a meeting of the Jewish community the next day, or in the coloured homes, is difficult to gauge – polite, but sceptical for the most part.

Guguletu is the highlight of the day: the crowd is black and ANC to the core. But preaching to the converted in front of the television cameras may not win floating voters.

Once a heavily fortified outpost of apartheid, in Guguletu posters urging citizens to know their rights adorn the walls. On the dashboard of a taxi a National party sticker, with a beaming President de Klerk, reveals the coloured driver's preference.

Despite Mr Slovo's best efforts, he says, the National party, not the ANC, will run the province after the election.

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	-174.2	-182.5	0.7623	100.0
1986	230.8	-140.6	-152.7	0.9836	80.2
1987	220.2	-131.8	-145.0	1.1541	70.3
1988	272.5	-100.2	-107.5	1.1833	66.0
1989	330.2	-99.3	-92.2	1.1017	69.4
1990	309.0	-78.3	-72.1	1.2745	65.1
1991	340.5	-53.5	-6.7	1.2391	64.5
1992	345.8	-64.1	-51.2	1.2957	62.9
1993	397.2	-98.8	-93.3	1.1705	66.6
1st qtr.1993	95.1	-21.8	-18.8	1.1920	66.4
2nd qtr.1993	95.3	-25.4	-22.5	1.2098	64.3
3rd qtr.1993	95.7	-27.2	-24.5	1.1443	66.4
4th qtr.1993	107.6	-24.5	-27.7	1.1388	66.4
March 1993	33.0	-8.9	n.a.	1.1789	66.2
April	31.5	-8.3	n.a.	1.2214	64.3
May	32.0	-6.9	n.a.	1.2181	63.9
June	31.8	-10.2	n.a.	1.1833	64.5
July	32.7	-9.2	n.a.	1.1349	65.9
August	33.8	-8.9	n.a.	1.1391	65.7
September	33.2	-9.1	n.a.	1.1728	64.7
October	34.8	-8.4	n.a.	1.1597	65.5
November	35.7	-8.6	n.a.	1.1282	66.5
December	37.4	-8.5	n.a.	1.1297	67.0
January 1994	35.5	-8.8	n.a.	1.1443	66.1
February			n.a.	1.1184	66.7

JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	230.8	76.0	64.5	180.50	100.0
1986	211.1	96.2	86.9	165.11	124.4
1987	197.3	86.1	75.5	166.58	133.2
1988	219.8	80.7	66.6	151.51	147.3
1989	245.3	70.5	52.4	151.87	141.8
1990	220.0	50.1	28.5	183.94	126.0
1991	247.4	83.1	62.9	166.44	137.0
1992	254.8	101.8	89.8	164.05	142.9
1993	300.4	120.1	110.3	130.31	173.8
1st qtr.1993	72.6	29.8	30.2	144.38	158.5
2nd qtr.1993	73.4	29.0	28.1	132.76	172.4
3rd qtr.1993	78.7	31.8	27.8	120.89	183.7
4th qtr.1993	75.0	29.8	26.3	123.20	180.2
March 1993	25.5	10.4	13.6	138.61	164.4
April	24.6	10.0	9.7	137.17	167.8
May	22.4	10.1	8.9	134.15	171.0
June	25.3	8.8	7.5	126.87	178.2
July	26.6	11.4	9.7	122.29	181.1
August	25.4	9.9	8.8	116.79	188.2
September	26.4	10.6	9.4	123.63	181.8
October	24.7	9.7	9.0	124.03	180.4
November	24.6	9.5	8.1	121.66	181.8
December	25.7	10.5	8.1	123.92	178.5
January 1994	27.0	11.4	10.1	124.03	177.0
February	26.6	11.3	9.6	118.77	185.2

GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	242.8	33.2	21.7	2.2260	100.0
1986	248.6	53.3	40.3	2.1279	108.8
1987	254.3	56.6	39.6	2.0710	113.5
1988	272.6	61.5	42.9	2.0739	114.6
1989	310.2	65.3	52.0	2.0681	113.5
1990	323.9	51.5	37.2	2.0537	119.1
1991	327.4	11.2	-16.2	2.0480	117.7
1992	336.6	16.8	-19.5	2.0187	121.2
1993	310.0	30.0	-18.7	1.9337	124.8
1st qtr.1993	78.9	4.5	-4.0	1.9476	125.6
2nd qtr.1993	75.1	7.6	-2.9	1.9658	124.0
3rd qtr.1993	76.6	8.1	-8.3	1.9180	123.9
4th qtr.1993	81.6	11.8	-2.6	1.9181	124.9
March 1993	24.0	1.7	0.6	1.9399	125.7
April	25.5	2.0	-2.4	1.9483	125.5
May	24.6	2.0	-1.1	1.9568	124.1
June	25.1	2.8	0.6	1.9559	122.6
July	24.1	3.2	-4.1	1.9483	122.0
August	26.5	2.1	-3.3	1.9061	123.8
September	25.9	1.9	-1.9	1.8896	128.1
October	27.4	4.2	-2.3	1.8968	126.2
November	27.4	3.7	0.2	1.9182	124.5
December	28.7	3.8	-0.4	1.9306	122.7
January 1994			-2.9	1.9415	122.2
February				1.9397	121.5

FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	133.4	-3.5	-0.2	6.7942	100.0
1986	127.1	0.0	3.0	6.7948	102.8
1987	128.3	-4.8	-3.7	6.9265	103.0
1988	141.9	-4.9	-3.6	7.0364	101.4
1989	162.9	-6.3	-3.6	7.0169	99.8
1990	170.1	-7.2	-7.2	6.9202	104.8
1991	175.4	-4.2	-4.2	6.9643	102.7
1992	182.5	4.6	2.9	6.8420	106.0
1993	177.6	12.9	8.9	6.6261	106.3
1st qtr 1993	43.0	2.2	0.4	6.6067	110.0
2nd qtr 1993	44.3	3.2	1.4	6.5118	109.7
3rd qtr 1993	44.7	3.4	3.5	6.5508	108.4
4th qtr 1993	45.5	4.2	3.5	6.6431	107.3
March 1993	14.5	0.97	-0.31	6.5919	109.9
April	14.6	0.95	-0.21	6.5875	110.5
May	15.2	1.56	2.06	6.6636	109.8
June	14.8	0.61	-0.42	6.5842	109.9
July	15.2	1.58	1.27	6.6299	107.0
August	14.4	0.39	1.27	6.6761	108.3
September	15.1	1.29	1.00	6.6465	107.0
October	14.7	1.02	1.17	6.6631	106.9
November	15.0	1.20	0.02	6.6837	106.8
December	15.7	2.00	2.38	6.6025	108.2
January 1994	14.7	0.41		6.5958	107.9
February				6.6905	107.6

ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	-16.0	-5.4	1443.0	100.0
1986	99.4	-2.5	-1.4	1461.6	101.4
1987	100.7	-7.5	-2.1	1494.3	101.2
1988	108.3	-8.9	-6.0	1536.8	97.8
1989	127.8	-11.3	-17.0	1559.2	98.6
1990	133.6	-9.3	-18.0	1523.2	100.6
1991	137.0	-10.5	-17.7	1533.2	98.8
1992	137.9	-8.0	-20.6	1591.5	95.7
1993				1836.7	79.6
1st qtr 1993	32.4	0.8	-2.6	1839.8	80.5
2nd qtr 1993	35.8	3.8	1.7	1814.2	81.2
3rd qtr 1993	34.2	6.1	3.2	1813.0	79.8
4th qtr 1993				1879.8	77.0
March 1993	11.7	-0.1	-0.9	1876.4	78.2
April	11.8	1.1	0.1	1871.4	79.0
May	12.4	1.2	0.6	1793.2	82.2
June	12.5	1.6	0.8	1778.0	82.5
July	14.7	4.4	2.6	1796.8	80.8
August	7.6	0.6	0.3	1804.2	78.7
September	12.0	0.9	0.1	1832.0	78.9
October	13.2	2.3	2.0	1854.8	78.2
November	12.4	1.7	-0.5	1889.7	77.0
December				1903.8	76.1
January 1994				1892.5	76.2
February				1883.9	76.4

UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	132.4	-5.7	3.5	0.5890	100.0
1986	108.3	-14.2	-1.3	0.6708	91.6
1987	112.3	-16.4	-7.1	0.7047	90.1
1988	120.9	-29.3	-25.0	0.6642	95.5
1989	137.0	-36.7	-33.5	0.6736	92.8
1990	142.3	-26.3	-25.6	0.7150	91.3
1991	147.7	-14.7	-10.3	0.7002	91.7
1992	145.5	-18.2	-13.5	0.7359	89.4
1993	155.4	-17.3	-13.7	0.7780	80.2
1st qtr 1993	37.5	-4.2	-3.9	0.8017	78.5
2nd qtr 1993	37.9	-4.1	-4.1	0.7862	80.2
3rd qtr 1993	40.5	-4.0	-2.3	0.7605	81.0
4th qtr 1993	39.6	-5.0	-3.4	0.7635	81.1
March 1993	12.8	-1.3	n.a.	0.8061	78.2
April	12.4	-1.8	n.a.	0.7864	80.5
May	12.5	-1.4	n.a.	0.7855	80.5
June	13.0	-1.2	n.a.	0.7837	79.8
July	13.3	-1.6	n.a.	0.7585	81.3
August	14.0	-0.6	n.a.	0.7545	81.0
September	13.3	-1.8	n.a.	0.7665	80.8
October	13.5	-1.2	n.a.	0.7712	80.4
November	12.9	-1.7	n.a.	0.7620	81.0
December	13.1	-2.1	n.a.	0.7573	81.7
January 1994			n.a.	0.7458	82.4
February			n.a.	0.7557	81.0

Due to the introduction of the single market, EU countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

Major tries to calm Tory jitters amid campaign row

By Kevin Brown, Political Correspondent

Mr John Major was embroiled in a damaging row over Conservative election advertising yesterday amid signs of continuing unease among backbench MPs and growing nervousness among the party's high command.

On a morale-boosting visit to Birmingham, Britain's second city, the prime minister's attempt to boost the local Conservative campaign was undermined by widespread unease about the aggressive tone of a Conservative broadcast attacking the city's Labour council.

In an attempt to limit the electoral damage in Birmingham – the only major city where the Conservatives have a realistic hope of overturning Labour control – Mr Major delivered an upbeat economic message, claiming that the economy was growing "rapidly" at a time of increasing economic difficulties for Britain's industrial competitors.

Meanwhile, party officials were backing away from a weekend admission by Sir Norman Fowler, party chairman, that the prime minister's future could depend on the results of the May 5 local elections.

Mr Gerry Malone, deputy chairman of the party, told journalists: "This is not a referendum on John Major in any possible sense."

However, Conservative MPs returning to London for the summer parliamentary session, which begins today, told a different story. "There is a lot of unhappiness in the constituencies with the prime minister's leadership," a backbench supporter of Mr Major said glumly.

There were also indications that the government may seek to avoid holding the by-election in the vacant Conservative-held seat of Eastleigh, Hampshire, before the June 9 elections to the European parliament.

Mr Major and senior cabinet ministers will decide today whether to stick to earlier plans to hold the by-election on the same day as the local council elections.

Both the main parties fear that a Liberal Democrat by-election victory before June 9 would give the party a strong platform for the European elections.

The main opposition Labour party, launching its European election campaign in London yesterday, attacked the "Tory myth of a blunderbuss bureaucracy in Brussels".

Ms Pauline Green, leader of Britain's Labour MEPs, accused the Conservatives of "distortions and lies", denying claims that Labour wanted to abolish Britain's national veto in Europe, introduce a maximum 35-hour working week, and introduce a single European currency immediately.

She also rejected claims that the government was leading the initiative against fraud in the EU, accelerating EU enlargement and fighting for "a decentralised Europe of nation states".

A Mori poll published in The Times today suggests that Labour could win 66 of the 84 seats in Great Britain (excluding Northern Ireland), compared with 15 for the Conservatives and three for the Liberal Democrats.

However, a breakdown of regional voting intentions suggests that the Conservatives could be reduced to eight seats from 32, while the Liberal Democrats, who have no seats in the current parliament, would win 10. Labour, which holds 45 seats, would still win 66.

Conservatives face up to stern election test

Philip Stephens looks at the importance to John Major's government of the next eight weeks of intense local and national campaigning

For Mr John Major it may well be life or death.

The next eight weeks, starting with the run-up to local council elections on May 5 and culminating in the European elections on June 9, will provide the most comprehensive test of the national mood since the British prime minister's 1992 general election victory. Five parliamentary by-elections – the most important in Conservative-held Eastleigh – will complete the picture.

There is little doubt that the Conservatives will do badly. The voters have not forgiven Mr Major for the economic recession that he had promised would end the day after he returned to Downing Street in April 1992.

The electorate has watched the Conservative party tear itself apart over Europe. It has looked on despairingly as a lacklustre administration has failed to establish for itself a sense of strategic direction.

So the issue is not whether the prime minister will emerge the loser from the local, European and by-elections. Instead his future will depend on whether the results are merely tolerably bad or fatally catastrophic.

There are important tests also for Mr John Smith's Labour party and for Mr Paddy Ashdown's Liberal Democrats.

Mr Smith has profited greatly from the Tory disarray. But there are many even in his own party who have yet to be convinced that he has crafted a credible programme for an alternative government.

The voters who now profess support for Labour show little real enthusiasm for the party's agenda. Many a protest vote against the Conservatives this summer will not prevent them returning to the Tory fold at the next general election.

For his part, Mr Ashdown cannot claim that the rise in support for the Liberal Democrats since 1992 represents much more than the traditional mid-term influx of disaffected Tories.

The Liberal Democrats remain a local (and in some areas a regional) rather than a national party. They will do well in the forthcoming elections but rebuilding the belief that British politics has room for a powerful third force will require much more than simply good results.

In the short term the opposition parties' tactics are straightforward: to maximise mid-term discontent with higher taxes, rising crime rates, poor public services and irresolute leadership.

The opinion polls are on their side. While the Labour party is anywhere between 20 and 25 points ahead of the Conservatives, Mr Major's personal standing is lower than that of any modern political leader. On nearly every issue – from the economy to law and order and the health and education services – his government is judged incompetent.

In short, Mr Major is in a worse position than that faced by his predecessor Lady Thatcher in the months before her demise in November 1990. About 90 Tory backbenchers would lose their seats at a general election as a result of a modest 5 per cent swing against the Conservatives.

Compare that to the swing of 35 per cent at last autumn's Christchurch by-election. It should be no surprise then that Conservative MPs are promoting Mr Michael Heseltine and Mr Kenneth Clarke as alternative candidates for the leadership.

Nor following his decision to play a high-profile personal role in both the local and European campaigns can the prime minister credibly deflect opposition attempts to frame the elections as referendum on his leadership.

But among the few things on Mr Major's side are expectations. With most Tory MPs at Westminster discounting abysmal results, an outcome that was merely bad might yet be projected as a relative triumph.

The local elections were last fought in 1990 at the height of the poll tax revolt. The Conservatives were trounced. So it is perfectly possible that the losses this time will be relatively small.

The Eastleigh by-election and the European elections will provide the much tougher test for Mr Major. Tory strategists believe Eastleigh is all but lost to the Liberal Democrats. The European elections evoke the nightmare of renewed infighting between those who cling to the Conservatives' public commitment to a positive role in the European Union and those who want the party to retreat to a nationalist redoubt.

Nor is there any comfort for Mr Major in the likelihood that the outcome of the June 9th poll will be decided on national rather than on European issues. Voters remain unconvinced still of the strength of economic recovery. Elections to the European Parliament provide the ideal vehicle for disgruntled Conservatives to register a mid-term protest. Few British voters care who represents them in Strasbourg. On current projections anything between 10 and 20 of the Tories' 32 seats in the Assembly are vulnerable – mainly but not exclusively to the Liberal Democrats.

If the actual losses are at the more optimistic end of that spectrum, Mr Major's battered premiership may survive the shock waves. But a result at the pessimistic end of the scale could well see an irresistible challenge to his leadership.

Britain in brief

Milk market plan rejected by processors

The dairy sector was plunged into fresh uncertainty when the Dairy Trade Federation announced that it had fundamental objections to the Milk Marketing Board's revised plans for opening the £3.3bn milk market to competition.

The DTF, which represents dairy processing companies, said the amended proposals were "unacceptable" and would not create a free market. Its objections centre on the board's proposed auction system for selling milk. It proposed instead the creation of a "milk forum" representing Milk Marque and prospective buyers under an independent chairmanship.

Mr Andrew Dare, the board's chief executive, rejected the proposal and said it was unlikely to meet EU competition laws or be accepted by the government. "It doesn't open the market up, it's not necessary and it's just an excuse for buyers to be able to continue buying as a cartel," he said. The liberalisation of the milk market in England and Wales has already been put back from this month to November 1 because of government and trade concerns that the board's initial scheme would prove anti-competitive.

Tax 'fails to stem upturn'

Tentative evidence that the pace of UK economic recovery is being maintained in spite of tax rises emerged with figures showing increased consumer borrowing in February.

Further good news for the economy also came with the publication of the most optimistic forecast for construction output since 1989. It had been feared that lending, which fell in January from December's high levels, would continue to decline as the April deadline for the tax rises approached.

The Central Statistical Office said that net lending to consumers rose to a seasonally-adjusted £277m from £235m in January. The February figure was higher than the £250m predicted by economists. It was due mainly to an increase in net lending by finance houses, largely responsible for hire-purchase agreements, to £283m from £255 in January.

The National Council of Building Material Producers, representing companies with a combined annual turnover of more than £30bn, predicted annual rises in the value of UK construction output, measured in constant 1990 prices, of 2 per cent this year and 2.5 per cent in 1995 and also in 1996, led by private-sector housebuilding and better than expected commercial construction.

SES plan for new satellite

SES, the Luxembourg company that owns the Astra television satellite system, said in London that it planned to have 14 more conventional television channels on air by the end of this year.

The new channels will become available if the launch of the fourth Astra satellite scheduled for September or October this year is successful. This will bring the total number of satellite channels available all over Europe on the system to 64.

Painting sale put on hold

British art galleries and museums have until May 31st to raise the £400,000 needed to keep the painting of "St Sebastian succoured by Two Angels" by the 17th century Italian artist Guercino in the UK. The National Heritage Minister Mr Iain Sproat yesterday deferred an export licence on the painting until that date.

The most important work awaiting export is The Three Graces, the marble statue by Canova, bought by the Getty Museum in Malibu California for £7.6m. London's Victoria & Albert Museum has until August 5th to raise the money to keep it in the UK.

Age proof for video rentals

The government is expected to announce that it plans to require children to produce evidence of age before being able to hire videos from rental shops. It is expected to tighten up the conditions under which young children might be able to gain access to videos aimed at those over 15 or 18. At the moment the issue of age tends to be left to shop staff.

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German hitch in rescue of Lancer Boss

By Andrew Baxter and Andrew Jack in London, and Christopher Parkes in Frankfurt

The receiver of Lancer Boss, the last major UK-owned producer of lift trucks, warned yesterday that efforts to sell the group as a going concern could be delayed if he cannot get control of the company's important German operations.

Mr Allan Griffiths, a partner in Grant Thornton, the accountants, said two prospective UK purchasers of Lancer Boss had already contacted him, but expressed his concern that Steinbock Boss, the UK company's struggling German unit, was in the hands of a German administrator.

Mr Griffiths and Mr Scott Barnes, his colleague, were appointed administrative receivers for Lancer Boss Group, the UK holding company, and certain UK subsidiaries on Friday. This followed a decision by German banks to withdraw support for Steinbock Boss after a disagreement with Lancer Boss over the future direction of the group.

Grant Thornton is now urgently seeking to establish links with the Munich lawyer who has been named as German administrator to establish what powers he has to sell Steinbock Boss. A senior Grant Thornton official was due to fly out last night to meet the lawyer, whom Mr Griffiths named as Herr Fogel.

The UK receivers are keen to co-operate with their German counterpart because Mr Griffiths believes the group is worth more if the UK and German operations are sold as one unit. He is expecting inquiries from prospective foreign purchasers. He admitted it was an "extremely unusual" situation for a UK receiver not to have full control of a company.

It emerged yesterday that the German banking group withdrew support from Steinbock Boss after the company's directors vetoed a deal under which Jungheinrich, the Hamburg based lift truck producer, would have bought the Moosburg-based company.

It is understood that the German banks strongly backed the deal, which would have provided a domestic solution to Steinbock Bock's problems and created a new force in the industry.

Jungheinrich, which claims to be the world's third-largest lift truck maker and the European leader in battery-powered vehicles, said it had been negotiating with Lancer Boss over Steinbock for some time.

In an usually forthright statement for a German company it said it was "astonished" that the British group had not responded to its proposals and that the insolvency of Steinbock had been "accepted".

Jungheinrich indicated that it hoped to reach an agreement for the acquisition of Steinbock Boss from the liquidators some time this week. This would thwart Mr Griffiths' plan to sell the group in one piece.

The German company was also interested in an Austrian subsidiary of Lancer Boss's Moosburg-based operations.

The decision of the German banks was also criticised by National Westminster, one of Lancer Boss' UK banks. "We very much regret the failure of these old customers," it said. "We have given every assistance to the group, but the withdrawal of facilities by their German bankers has left the group with little alternative but to cease to trade."

Accounts highlight challenges facing future owners

Lancer Boss Group is already more than two months late in filing its 1993 accounts, according to documents filed with Companies House, writes Andrew Jack.

The latest financial information available with the government's corporate information agency dates from the year-end to March 31 1992.

However, the 1992 accounts highlight some of the difficulties facing the company and the challenges that will be faced by its receivers.

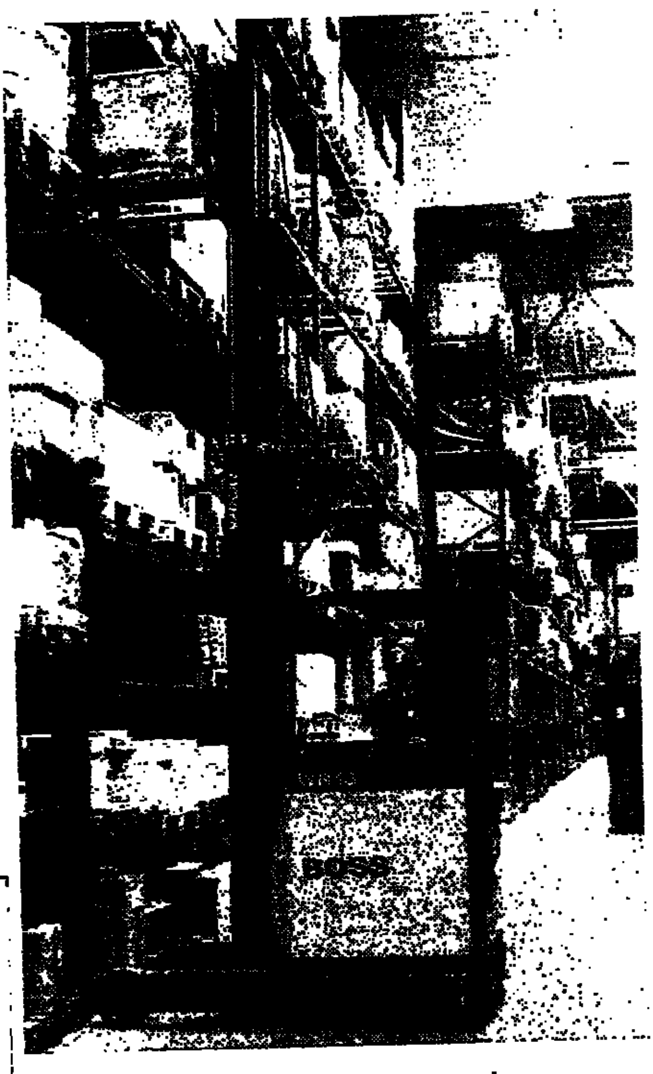
They show the group made losses of £3.1m, against pre-tax profits of £4.4m in the previous year. Operating profits declined substantially from £9.9m to £2.1m in the same period.

Total borrowings at the balance sheet date in 1992 were £32m. However, the proportionately high interest costs of £5.9m suggest borrowings may have been at considerably higher levels earlier during the year.

The chairman's statement says that "a large part" of the company's investments are in DM, while Germany also accounts for a large share of its operations. The German subsidiary's pension fund was only 89 per cent funded during the year, suggesting that the current estimated costs of pensions cannot be covered.

The accounting policies on leasing are confused, while the note on turnover policy is unusual and may allow for considerable flexibility. Turnover is recognised when "final arrangements have been made for shipments."

Sir Neville Bowman Shaw, the chairman, was paid £455,000. All the shares are held by him, his family and trustees on their behalf.



Waiting for a lift: Lancer Boss machinery at work

Clash of insolvency procedures looming

By Andrew Jack

The insolvency procedures in which Lancer Boss has become ensnared have proved confusing and will present challenges to the unravelling of the group.

The administrative receivers to the company at accountants Grant Thornton in the UK yesterday expressed uncertainty about the exact procedure applying to its German subsidiary. In the UK, they are currently preparing a detailed analysis of the company and will then report back to creditors.

Although the subsidiary is only part of the group and is wholly owned by it, German law will apply in clash with English insolvency procedures.

This will prove particularly difficult in any attempt to sell the entire group as a single entity given conflicting interests of accountants, lawyers, creditors and legal procedures.

The German procedure will make full control of the company from the UK impossible. Mr Tony Houghton, insolvency partner with accountants Touche Ross, said yesterday of the situation: "Each jurisdiction looks after its own. Any assets in Germany will be subject to local law. In our experience the German courts are very suspicious of any sort of interference."

Under the German pre-bankruptcy procedure – known as Vergleich – the receiver will have to provide a minimum dividend to creditors of 35 per cent within a year or risk passing into bankruptcy.

Receiver hopes for amicable German link

Andrew Baxter hears a tale of conflicting insolvency laws

Receivers love to be in control. Unfortunately, Mr Allan Griffiths and Mr Scott Barnes have yet to gain full control of Lancer Boss, the UK lift truck company for which they were named administrative receivers on Friday.

That is because a few hours before the partners at Grant Thornton were named receivers for the group and certain UK subsidiaries a German lawyer was appointed as an administrator to Steinbock Boss, the German subsidiary.

As more details emerged of the circumstances behind the Lancer Boss receivership, an extraordinary tale of conflicting insolvency laws between UK and Germany, and of two separate banking groups with very different priorities, is unfolding.

At a press conference Mr Griffiths revealed little of Lancer Boss' financial position yesterday, but some of the puzzles behind the receivership of one of the UK's largest private manufacturing groups are becoming clearer.

Jungheinrich, the large German lift truck producer, revealed earlier yesterday that it had been holding negotiations with Lancer Boss on the future of Steinbock, which has been badly hit by the recession.

It is believed that, originally, negotiations were based on a full-scale link-up between Jungheinrich and Lancer Boss. But, so the receivers believe, it emerged that Jungheinrich wanted only to buy Steinbock. The German banks were keen to pursue a domestic solution for Steinbock's troubles, and strongly backed the deal.

But Steinbock's directors and Sir Neville Bowman-Shaw, Lancer Boss chairman, found such a deal totally unacceptable because it would involve the break-up of the group. In response the German banking group withdrew its support from Steinbock, which had been trading within its banking limits, and the administrator was called in.

This left directors of Lancer Boss in a difficult position, because of what Mr Griffiths called the "interconnectedness" of the UK and German operations. Large sums of money were flowing between Germany and the UK, he said, and there was considerable interchange of products and reciprocal supplies of components.

For this reason, Sir Neville and directors of Lancer Boss decided to ask banks to appoint administrative receivers for the UK operations – to maintain stability while the German administration was sorted out, said Mr Griffiths.

Mr Griffiths is now keen to maintain the links between the UK and German operations because he believes the group would be worth more if both parts were sold in one piece.

He has already received two approaches from potential purchasers in the UK, and said: "To a purchaser, the attraction is to buy both the UK and German operations. In isolation, they are not worth so much."

The problem for Mr Griffiths is that he does not have control of the German operation, and is urgently trying to establish what powers the German administrator has to sell Steinbock. He hopes that Grant Thornton can persuade its German counterpart to co-operate. No inquiries have yet been received from foreign companies, but they are expected.

Meanwhile Mr Grifiths and his team have moved quickly to secure the support of the 770 workers in the UK businesses. Flanked by union representatives at yesterday's press conference, he revealed that he has already announced 19 redundancies, and could not give any guarantees to the remainder.

But he stressed his first concern was to sell Lancer Boss as a going concern with as many jobs preserved as possible. Only if that fails would he consider "Stage Two" – selling the product range without the manufacturing operations in Leighton Buzzard, Bedfordshire, north of London.

MANAGEMENT: THE GROWING BUSINESS

Richard Gourlay looks at how franchising can help companies grow

Bring on the clones

Fergus Wilkie

Two that have taken the franchising plunge: Signs Express of Norwich; and Sinclair Beecham and Julian Metcalfe of Prêt à Manger, the London-based sandwich chain

Next weekend thousands of potential businessmen and women will flock to the Spring National Franchise Exhibition at London's Olympia. For many the exhibition may be the first step towards running their own business, be it a fast food franchise, a printing company or a pawnbroker.

But it is also a first step for some of the companies selling franchises. Nearly 50 years after franchising started in the US, there are signs that large and small companies alike recognise its potential for accelerating growth.

The success of chains like McDonald's, Burger King and Holiday Inn is plain to see. Holiday Inn has grown from nowhere to more than 1,500 hotels in 20 years, a growth rate that would have been impossible if all the hotels had been financed by the group.

In the UK franchising has had a slower start. But moves by Securicor Pony Express, the same-day parcel delivery service, Yule Catto, the chemicals company, and a host of smaller companies, demonstrate how franchising is catching on.

Securicor Pony Express leads the same-day market through the 35 branches which it owns; it is also about to sell a similar number of franchises. Tony Mundella, national franchising manager, says Securicor was impressed by the way franchising worked for other parcel delivery groups like Business Post, Amtrak and Interlink Express.

Like many companies attracted to franchising, Securicor wants to involve people who would be more highly motivated than employed managers. An equally powerful motive is the realisation that customers need and demand constantly improving levels of service. "The general feeling is that the well-run franchise will deliver higher degrees of service than an operator-owned outlet," says Sinclair Beecham, managing director of Prêt à Manger, the London sandwich chain that has just begun selling franchises.

Yule Catto became a franchisor for a similar reason. Three years ago its Neilsen car care line was becoming a tired brand. Sales were stagnating, despite extra marketing effort, and the customers were demanding more of a just-in-time service – smaller quantities delivered more frequently.

Yule Catto decided it was too expensive to meet this customer demand with its managed sales force and started converting to a franchised sales team. Each franchisee will buy stock from Yule Catto and sell from seven-tonne trucks, or mobile showrooms, in 75 territories around the UK.

Chris Gater, franchising manager, says Yule Catto had to have deep pockets because converting to franchising is a long-term investment. In the transition, profits have been hit by the continuing overhead of the old sales team, a fall in the value of sales (to give franchisees their margin) and the cost of setting up the franchise infrastructure.

But despite the distractions Neilsen has responded with a 20 per cent increase in sales volume. "It is not easy and it is expensive," he says. "But it will work."

Converting part of the company to franchising is not a decision to be taken lightly. "Franchising is not the easiest way of running a business," says Brian Smart, director of the British Franchising Association.

For one reason, franchising can create a culture clash. Holland & Barrett, the health food chain, took the franchising route in the 1980s but abruptly stopped in 1987. The group is widely seen to have had trouble handling independent franchisees within a culture established to manage corporately-owned shops.

The Rack, which has had a mixed franchising record, had similar problems. "When it works it works very well because you have a highly motivated group," says Nigel McGinley, chief executive. But the group could not always control its franchisees and now prefers to open new stores in the UK under its own management.

Such well-documented cases explain why many new franchisors are making only cautious forays into franchising. Prêt à Manger, which owns 17 sandwich shops in London, has decided to roll out its brand across the country, but is testing the formula initially in only four franchises.

"We are holding at that level till we understand the difference between a business managing its own shops and one managing a franchisee," says Beecham, who opened the first shop with chairman Julian Metcalfe in 1986.

Some companies that set out with the intention of building a franchising network from scratch make an equally cautious start. Prontaprint, which started 20 years ago and has 260 high street copier shops, took three years establishing its system and reputation before selling franchises.

Signs Express, a Norwich-based sign maker, followed a similar route. David Corbett, managing director, says the company slugged it out for three years from one shop against 59 local competitors before selling the first franchise last year. He sold 11 franchises by the end of the second year, wants 40 at the end of this year and plans on 70 by the end of the fourth year.

Marks and Spencer, which has 74 franchises overseas, uses the system as a way of testing new markets. But for smaller companies, the main reason for becoming a franchisor is to finance a faster rate of growth.

As such the growing company does not have to buy or lease new outlets or finance inventory. It also gains from bulk buying of products, services and advertising, and has lower head office overheads; it needs no distribution system and has no sales force to manage.

Martin Mendelsohn, partner at solicitors *Jaques & Lewis*, believes many more companies could consider franchising. "As a rule of thumb any business that has the potential of being run under management has the potential of being run as a franchise," he says.

The reason more do not follow this route is a lack of understanding of how to set up a franchise infrastructure, Mendelsohn suggests. "You are asking the franchisee to set up a business as an independent business but you are asking them to run it within a controlled environment. It is a conflict situation." Visitors to Olympia would do well to remember that message.

Seeking credibility for quality standards

Is the process of certifying companies with the UK's BS5750 quality assurance standard and its international equivalent, ISO9000, losing its credibility?

The European Commission is concerned that too many companies see certification as an end in itself rather than a step towards improving quality and is seeking support for the idea that improving competitiveness, not awarding certificates, is what matters. Brussels' interest will *be welcomed by many smaller* companies.

In little over a decade, BS5750 has been adopted by more than 28,000 companies. Over 30 bodies are now qualified to issue certificates, including the British Standards Institution which drew up the standard. Countless consultants help companies to prepare and maintain their certification. Yet despite being designed to improve British industrial competitiveness, the standard has become a nightmare for many small and medium-sized enterprises.

Critics say it is expensive, bureaucratic, and difficult to set up and maintain. Some complain that while it was designed for *manufacturers, the standard lacks* relevance for many smaller companies which are providers of services.

This said, there are many companies that have adopted the standards and successfully used the certification structure as part of a quality improvement programme. For them certification is a step towards Total Quality Management, the approach that focuses all an organisation's efforts on what the customer wants.

But the critics say there are many other companies which have been peddled an inappropriate standard by self-interested consultants and certification bodies. Others, they say, have bought into certification solely *to avoid being dropped from a* supplier's preferred list or so they can claim to be "quality" companies for marketing purposes.

Jacques McMillan, head of the Commission unit in Directorate-General 111 in charge of quality policy and certification, says: "There are many enterprises going bust where the last flag as they go under is their certificate. I am trying to put it back in *perspective so those companies* that actually need it should go for it and those that don't shouldn't. It should not be thrust down the throats of small and medium-sized companies."

These forthright views appear to have been sanitised in the paper called Elements of Community Quality Policy, now circulating member states. But McMillan hopes ministers late this year will look at the issue again in the context of examining ways to increase Europe's competitiveness.

The Commission's move has received a guarded welcome from the Brussels-based European Foundation for Quality Management, set up six years ago by 14 captains of European industry, including Sir Iain Vallance, chairman of BT. "I welcome the Commission coming out with the beginnings of a quality strategy for Europe," said John King, EFQM director-general.

"But the major challenge is getting the message to the senior management of European businesses that they have to be committed to quality policies and not simply satisfied with product certification as represented by BS5750 and ISO9000," he said.

Critics say that quality assurance standards often do little more than document existing procedures against which the company is subsequently checked. A uniformity of process is achieved, but one that might be leading to uniformly poor quality products. Only if management decides to focus on quality issues is there any chance they will improve.

Certification has been abused – or mistrusted – by some larger companies as well. McMillan says there are cases where large manufacturers are demanding certification from suppliers but continue to insist on doing their own quality audits, too.

Some companies use certification as an arbitrary way of cutting down their supplier lists. This also undermines the value of the certificates awarded to companies that are genuinely seeking to improve their competitiveness through better quality.

Some US companies that have reluctantly adopted the ISO9000 standard have done so because they feel that without certification they will be barred entry to European Union markets.

Faced with uncertainty about who should seek certification, some companies may have fallen prey to certification salesmen. "They [companies] are not being helped by the certification environment," says McMillan.

"It is a lucrative environment for consultants and certifiers. If there is no coherent policy it is difficult for some to know what to do because they are hearing so many different voices."

In the UK there is some hope of a helping hand through the maze. The BSI will this week unveil a scheme it says will make BS5750 registration simpler and cheaper.

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